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# NATIONAL MUNICIPAL REVIEW

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## THE LEAGUE'S BUSINESS

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**Annual Report and New Constitution Available.**—The secretary's report on the work of the League from November 1, 1931 to September 1, 1932, as presented at the recent Washington convention, has been mimeographed and is available free of charge to any member who applies to the secretary's office. At the annual business meeting of the League, as announced on this page last month, a new constitution was adopted. The constitution will also be sent in mimeographed form to any member who requests it.

**Radio Series on Constructive Economy in State and Local Government.**—Beginning on November 15 and continuing every Tuesday evening until the end of this year, the National Broadcasting Company's nation-wide network will broadcast a series of addresses on the general theme of "Constructive Economy in State and Local Government." The program as arranged is as follows:

NOVEMBER 15	—"Retrenching in State and Local Expenditures: A General View."
SPEAKERS	—Hon. Murray Seasongood, President, National Municipal League; and Prof. A. R. Hatton, Northwestern University.
NOVEMBER 22	—"Redrawing the Boundaries of Local Government."
SPEAKERS	—Prof. Thos. H. Reed, University of Michigan; Howard P. Jones, National Municipal League and Prof. Geo. S. Counts, Columbia University.
NOVEMBER 29	—"Redistributing Functions of State and Local Government."
SPEAKERS	—Prof. Paul W. Wager, University of North Carolina; Hon. O. Max Gardner, Governor of North Carolina; and Hon. Harry F. Byrd, former Governor of Virginia.
DECEMBER 6	—"Reorganizing County Government."
SPEAKERS	—Prof. Arthur W. Bromage, University of Michigan; Prof. Leonard D. White, University of Chicago; and Dr. Lent D. Upson, Detroit Bureau of Governmental Research.
DECEMBER 13	—"Reforming Financial Methods."
SPEAKERS	—Dr. Luther Gulick, Institute of Public Administration; Prof. Harley L. Lutz, Princeton University; and Dr. Russell Forbes, National Municipal League.
DECEMBER 20	—"Reducing and Limiting Local Indebtedness."
SPEAKERS	—Carl H. Chatters, Municipal Finance Officers' Association; C. E. Rightor, Detroit Bureau of Governmental Research; and Henry Hart, President, Michigan Municipal Advisory Council.
DECEMBER 27	—"Revising our State and Local Tax System."
SPEAKERS	—Dr. W. F. Willoughby, Brookings Institution; Prof. William Anderson, University of Minnesota; and Dean Isidor Loeb, Washington University.

This series of broadcasts will give nation-wide publicity to our committee report on this subject being prepared by Professor A. R. Hatton and to be delivered at the opening number of the series on November 15. The following broadcasts in the series will develop the details of the principles laid down in the committee report. The series is sponsored by the Committee on Civic Education by Radio of the National Advisory Council on Radio in Education and the American Political Science Association.

A *Listener's Handbook* for free distribution has been prepared by the Committee to accompany this series. It contains a complete program, outlines of the subjects discussed, and a bibliography prepared with the assistance of the American Library Association. Reprints of all the addresses in the series will also be available at 10c each, or \$1.60 for the entire set. Applications for free copies of the *Listener's Handbook* and orders for the reprints of the addresses should be sent to the University of Chicago Press, 5750 Ellis Avenue, Chicago.

RUSSELL FORBES, *Secretary*.

Editorial  
Comment  
♦  
November

NATIONAL  
MUNICIPAL REVIEW

Vol. XXI, No. 11

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Economy:  
Progress  
or Decay?

There were two sides to the shield at the annual meeting of the National Municipal League in Washington, September 19-21, which, incidentally, attracted more public attention this year than ever before. The first was the manifest current of protest against hysterical slashing of governmental services all too common throughout the country these days; second, the clear realization of the opportunity facing those interested in improvement of local government as a result of the widespread citizen interest in ways and means of achieving governmental economy. This aroused energy, now largely concerned with cutting items out of budgets, can and should be directed toward elimination of waste in government, which means increasing the efficiency of administration. The National Municipal League, as well as other organizations interested in improvement of governmental conditions has before it an unparalleled opportunity to give practical effect to the discoveries of more than a quarter century of experimentation.

Too little public appreciation has been accorded the constructive research in local government and experimentation in the mechanics of democracy that has been going forward in this country since 1900. Many to whom Einstein's name is a byword and Edison's a record and vision of the possibilities of experi-

mental physics, would look blank at the mention of the names of outstanding researchers and political scientists.

There are a number of reasons for this, chief among which has been the lack of drama in this work. The depression is furnishing the drama. Starving children and homeless families can't be shrugged aside. Local government is taking them in—the interest in the problem of economy versus the necessity for feeding the hungry is furnishing the stimulus necessary to a public grasp of the problems of local government and the solutions that are possible.

Disillusioned and cynical taxpayers are being beaten by economic necessity into the realization that waste and extravagance and inefficiency and corruption are not necessary attributes of government and that if they themselves will give to public affairs some of the time and thought—not to say money—they have wasted on the stock market, the returns will be proportionately greater, individually and socially. For government, which seems to flow on inevitably like a river, is too readily dammed by those who would irrigate their own pastures at the expense of their fellows downstream. And time and thought and funds put into research and education in this field reaps social as well as financial dividends.

All this was thoroughly aired at the Washington conference, devoted to an

analysis of the problem of "Financing Local Government in Depression" and a discussion of the solutions. The plural is used advisedly. There is no single solution, no one panacea, no wondrous nostrum that can be taken at a gulp whereupon, behold, the patient is well. The success of any movement for improvement in local government depends upon the application of a number of principles which have been tested by time and experience. Nor is this comfort to political opponents of the city manager plan. For the words, "the city manager plan," are in reality like a label on a box of assorted cookies—most of the principles of successful non-partisan public administration are included therein.

But let the speakers at the annual conference pass in review and tell their own stories:

**Must Taxes be Reduced?**—I submit there is but one answer to that question and the answer is not the taxes *should* be reduced, it is that they *must* be reduced, because we have reached the end of our financial rope. The cost of all of our governmental functions has reached a stage where it is impossible to raise sufficient revenue to meet it.—*Silas H. Strawn, former president, Chamber of Commerce of the United States.*

**Business Has Cut—Can Government Follow Suit?**—In any discussion of local government nowadays something like this is heard: "Business has cut down its expenses and government must do the same."

With the last half of the statement that government must cut down its expenses in times like these, I heartily agree. Local government must make a tremendous effort, despite popular objections, to cut its expenses to the minimum. It must purge itself of corruption and political party patronage which cost so much money.

What must be recognized if local governments are sanely and safely to reduce their expenditures to the minimum is that the very fact of the industrial depression adds to the demands upon local government, and not only adds to the demands as represented by expenditures, but adds to the usefulness and to the imperative necessity of continuing, and, in some cases, expanding those services.—*Louis Brownlow, director, Public Administration Clearing House, Chicago.*

**The Real Estate Tax is Breaking.**—The real estate tax has not yet broken down but it is fast approaching the breaking point

because it is already carrying a greater burden than it can economically afford, and cannot take on a further load. Relief can reasonably be expected from two directions—spreading the load over a greater base and lightening the load. At the present time more reliance must be placed on lightening the load than on spreading the base.—*The Hon. Seabury C. Mastick, State Senator, New York.*

#### **Relief Funds Won't Spend Themselves.**

A million people—one out of seven in the population—are receiving help at the present time from public or private sources in New York City. . . . There is a current but fallacious notion that relief funds will administer themselves. . . . The history of poor relief administration has demonstrated that without an adequate number of sympathetic and experienced workers, the really needy are often crowded out by those who could look after themselves and public funds are squandered for lack of intelligent supervision. The costs of such supervision are in reality an insurance against waste and an actual saving in the total result.—*William Hodson, director, The Welfare Council of New York City.*

**Must the Schools be Sacrificed?**—In some communities the schools have already been sacrificed and public-school systems are almost everywhere on the defensive. School terms are being shortened. Summer schools are being discontinued. Night schools are being closed. Children are being sent home from kindergartens. Special educational opportunities for the crippled and other unfortunate children are being denied. School districts are refusing to purchase the supplies and textbooks needed for instruction. School nurses are being discharged and other health services of the schools are being discontinued. Playgrounds and other community activities are being closed. Social work and individual counseling in the schools are being so limited that they can no longer function effectively in the guidance of boys and girls.—*William G. Carr, director, Research Division National Education Association.*

**Cutting Welfare Costs.**—It is possible to reduce the public cost of hospital care for the mental and physically sick by merely refusing to accept additional patients. . . . The cost of care and detention of the criminal can be reduced by turning him out. . . . Welfare costs can be reduced by refusing or neglecting to provide necessary relief for the destitute.—*Frank Bane, director, American Public Welfare Association.*

**More Money Needed for Recreation.**—Nowhere in our country have recreational expenditures provided the essentials of public-recreation service for all of our citizens. To suggest reductions in our present inadequate service therefore is like suggesting a further amputation for a one-legged man. For our present recreation service is indeed thoroughly inadequate.—*Roy Smith Wallace, National Recreation Association.*

**Fire Protection Important?**—Of course none of us would contemplate for an instant elimination of fire-department service; nor would we care to consider cutting the cost of this service to the point where safety to life and reasonable protection to property are seriously open to question.—*George W. Booth, chief engineer, National Board of Fire Underwriters.*

**Inspection—Vital Function.**—There is no better example than the inspectional services in the entire field of municipal administration, of the opportunity to combine in one and the same process, the lowering of the general tax burden and the improvement of service. They can be made fully self-financing if unit costs are held within reasonable bounds. Surely, elimination or ruthless curtailment of services, under such conditions, may be condemned as the lowest form of civic inertia.—*Miss Edna Trull, research secretary, Municipal Administration Service, New York City.*

**Planning Future Expenditures.**—Long-range planning of public works contemplates the formulation of a capital improvement program several years ahead which correlates physical necessities with financial resources. . . . In the past, haphazard growth of our communities has been the rule. . . . As a protection against increased taxes no sounder method has been evolved than that of long-range planning of outgo in accordance with income and thus determining in advance what the taxes shall be.—*Col. D. H. Sawyer, director, Federal Employment Stabilization Board, Washington, D. C.*

**There Must be Mergers.**—America has outgrown its traditional governmental units and the time has come when there must be some consolidation of governmental units in the interest of good government and economy . . . . The county was chosen as the governmental unit so that the settler could milk his cow, get to the county seat and transact whatever business he might have there and return home in time to milk the cow without causing her much distress. . . . In my state of Michigan there are 43,000 local public officials.—*Thomas H. Reed, director, Bureau of Government, University of Michigan.*

**One Government for One Territory.**—Ordinarily neither city nor county boundaries exactly contain the metropolitan community. Ordinarily the metropolitan county more nearly measures the community than the city. Ordinarily the theoretically preferable mode of adjustment is for the cities within the county to transfer to it their most vital functions. Do not these considerations suggest that our best adjustments are but makeshifts, and that our assumption of two local governments in the same community is questionable? I commend to you a recent statement of Dr. Simeon E. Leland, that: "The support of more than one local government in a single territory represents needless economic waste as well as

a loss of political responsibility and efficient government."—*Emmett L. Bennett, director, Municipal Reference Bureau, University of Cincinnati.*

**Structure of Municipal Government Must be Changed.**—The most distressing feature of American municipal government is the failure of citizens either to select or to control their own public officials, and the only cure for this evil is fundamental reorganization of the structure of municipal government.—*Henry Bentley, president, Cincinnati City Charter Committee.*

**Saving Through Personnel System.**—The absence of a sound personnel system through a properly devised competitive system of selection of public employees based on competence, training and experience is costing the American taxpayers at least a quarter of a billion dollars a year.—*H. Eliot Kaplan, secretary, National Civil Service Reform League.*

**Municipal Ownership Proves Itself.**—Outstanding among the undeveloped sources of municipal revenue is that of business and non-business licenses and permits, fees, and taxes. . . . With regard to lighting plants there is no question that given similar physical conditions they can be operated under public auspices at least as cheaply as under private ownership. This is no idle generalization, but a statement based on unit cost studies of over a hundred municipal plants.—*Frederick L. Bird, assistant director, Municipal Administration Service, New York City.*

**Sales Tax Hits the Poor Man.**—A politician who has the interest of the small home owner and rent payer at heart cannot sincerely and consistently urge the substitution of a general sales tax for real estate taxes. . . . To propose substitution of a general sales tax for taxes on real estate as a measure of relief for the small man is an insult to intelligence and an affront to common sense. . . . I see no reason why some stenographer should pay more for her stick of chewing gum or her movie ticket, or why some truck driver should pay more for his cigarette or his seat at the ball game in order to relieve me from paying for the collection of the garbage from my kitchen.—*Robert Murray Haig, Columbia University.*

\*

**Cutting Costs of Public Health** It would be difficult to get up an argument among those who know anything about the public health service now being rendered by local governments on the issue of eliminating essential disease-preventive measures. Indeed, in time of depression when physical resistance of individuals may be low, public health work

assumes even greater importance. It is one thing, however, to say that service must be maintained and another to say that costs cannot be cut. Those who insist that the two statements are one and the same will find a worthy opponent in Dr. Carl E. McCombs of the Institute of Public Administration who has figured out how public health costs can be reduced:

The only way that expenditures for health personnel can be reduced without serious loss is by reduction of numbers of health personnel and *not* by salary reductions. Three opportunities for economizing health personnel are suggested:

1. The reorganization of public health departments and other departments of the general government as far as that may be necessary, to permit the complete integration of public health forces and other forces of government capable of using public health services and being used by them. The reorganization of local governments with this as a major purpose should permit material savings in personal service costs.

2. The coördination of official and unofficial health services under single-headed competent central direction, so that duplication and overlapping of functions can be generally eliminated and specialized health nursing activities replaced by a generalized health nursing service. Competent evidence is already available to prove that such coördinated effort reduces personnel service costs and increases efficiency.

3. The readjustment of local areas of health jurisdiction so that the health needs of a given population may be met in accordance with approved standards at a cost within the means of the people serviced, without over-dependence upon state aid. Fewer units of local health jurisdiction will permit elimination of much local political patronage, improve standards of health personnel, and reduce numbers of special employees.

The professional spirit in the public service is greatly to be desired. The professional public service group who high standard of performance, however, should not be confused with false pride which refuses to permit scrutiny of methods or constructive criticism. Dr. McCombs' intelligent examination of ways and means is an indirect but none the less forceful rebuke to those in any professional public service group who with Jovian assurance declare, "It can't be done!"

#### **Libraries Packed as Depression Continues**

As the curve of business goes down, the curve of reading goes up! To those cities tempted to chop off the budgetary appropriation for libraries as the first move in a program of economy, this report from the American Library Association Bulletin may be interesting.

More than a million new readers have found their way into libraries in cities of over 200,000 population in the last two years, and the number of books borrowed from them has reached the unprecedented high of 157,000,000—more than 26,000,000 over figures for 1929.

While these figures are indicative of the increase in reading throughout the country, they do not tell the whole story, for they represent only 44 libraries. Reports received by the American Library Association indicate that the per capita demand for books is equally great in smaller libraries.

Expenditures for library service in the cities noted increased 5 per cent during the two-year period; the number of books available increased 10 per cent; the number of registered readers, 19 per cent; and the number of books borrowed, 20 per cent.

There is more at stake in municipal budgets than dollars and cents. We have to stave off social bankruptcy with one hand while we fight financial bankruptcy with the other. The problem of the unemployed is not merely one of feeding and sheltering 48,000,000 individuals. It is also one of keeping up individual morale.

When buildings decay, we can rebuild them. When bridges collapse, we can rebuild them. When material things disintegrate, they can be reconstructed. But once the morale of an individual has broken down, it is gone forever. More than the stock market crash, more than lost fortunes, more than want and deprivation and hunger—this is the tragedy of the depression.

Schools, libraries, recreation centers—these keep up morale—and the unemployed are using them! Take them away and what then? Be selfish and be afraid. Watch the cost of crime go up.

Municipal governments—more than all other agencies in the country today—are dictating the future course of American life. It is no small responsibility.



## HEADLINES

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Tax limit proposals are more popular than pumpkins on Hallowe'en this year and just about as intelligent-appearing. Michigan will vote in November on a constitutional amendment limiting the amount of general property taxes for all purposes to one and one-half per cent of the assessed valuation. Another amendment regulating assessment procedure would have the practical effect of allowing taxpayers to dictate their own assessments!

\* \* \*

The Michigan proposal is, of course, a polite way of throwing municipalities into bankruptcy by constitutional amendment. Wolverines seldom play "follow the leader" with the Hoosiers, but they will be so doing if they approve this amendment. The Indiana legislature in special session just adopted a \$1.50 tax limit, but, deciding it couldn't work, created another county agency—a board of tax adjustment—with power to raise the rate in emergencies. Another ring added to a circus already big enough to keep eyes bobbing until exhausted.

\* \* \*

Minnesota and Kansas voters will have to decide in November whether they want to pay an income tax. There is little popular objection these days to taking the burden off real estate. The opponents of an income tax, aside from the monied interests that would be hit hardest by it, are those skeptics who think it will merely give government additional money to spend and that no relief to farmers will result.

\* \* \*

Immediate action to create a municipal housing authority in New York City with a view to adopting a program of self-sustaining wage earners' home construction has been urged upon Mayor McKee by the Public Housing Conference, a non-partisan coalition of individuals and organizations. Government has always had the job of cleaning up after the rugged individualists got through. Why not add slums to the list? And catch up with Europe.

\* \* \*

Two California counties will vote in November on the adoption of county manager charters: Mendocino and San Mateo. Chances of the approval of both of them appear excellent. If so, the country will have its first opportunity to see complete county manager government in action.

\* \* \*

With consolidation movements all the rage, it was with some disappointment and chagrin that political scientists received the news that the ancient Spanish towns of Onion and Garlic were to be divorced by decree of the republican government. For centuries Ajo and Cebolla operated under a common council. This was all right in the days of the monarchy, but the combination was too strong for the republic.

# Feeding the Hungry

OUTLOOK dark for winter: many cities in desperate straits as millions of dollars pour endlessly into food, clothes, shelter and work programs for unemployed

BY FRANK BANE

*American Public Welfare Association*

MANY cities have reached or are reaching the limit of their ability to handle the fast mounting relief load that has accumulated during this long continued depression. Private philanthropy and local government together for two long years have struggled with an unemployment problem that is national and even international in its scope. During this last year, several states have made appropriations to aid their political subdivisions in carrying this unprecedented load and now the federal government has come into the picture with a helping hand to states and cities that have done and are continuing to do their utmost. Constitutional limitations, statutory difficulties, and the falling off of revenue from taxation all have hindered the ability of cities and even states to handle this problem.

Statistics compiled by the U. S. Children's Bureau from 125 cities of 50,000 or more population located in all sections of the country make the situation startlingly clear. The total expenditures from 976 agencies and divisions of departments that are giving relief in these cities show an increase for July, 1932, of 87 per cent over July, 1931. This seems more startling when it is remembered that the 1931 annual figures show a 327 per cent increase over 1929. When it is realized that the monthly expenditures of these cities, representing one third of the total population of the

United States, were \$21,760,238 for the month of July, it is easy to understand why the problem of how cities are to finance the greater winter load takes precedence over usual municipal problems.

Cities of varying sizes located in different sections of the country all show the seriousness of this problem. New York, Chicago, Philadelphia and Pittsburgh, Detroit, Los Angeles and San Francisco, Boston, Baltimore, and St. Louis, or cities of smaller size, all tell the same tragic story of increasing relief loads, families with resources completely exhausted and standards of relief declining. Some of these striking increases, and in a few instances decreases, from July, 1931, to July, 1932, by percentage are, as follows:

ALABAMA	Mobile	+374.2
CALIFORNIA	Los Angeles area	-71.2
	San Francisco	+266.6
COLORADO	Denver area	+157.5
DELAWARE	Wilmington	+2,151.5
DISTRICT OF COLUMBIA	Washington	+107.1
ILLINOIS	Chicago	+298.0
INDIANA	Ft. Wayne area	+260.2
LOUISIANA	New Orleans area	+1,012.5
MASSACHUSETTS	Boston	+75.1
	Fall River	+204.7
MICHIGAN	Detroit area	-23.5
MISSOURI	Kansas City	+398.9
NEW YORK	Buffalo area	+143.7
	Syracuse	+162.4
	Yonkers	+303.6
NORTH CAROLINA	Asheville	+241.7
OHIO	Cincinnati	+165.5
	Columbus	+237.8

PENNSYLVANIA		
Chester area	+472.7	
Philadelphia	—54.3	
Pittsburgh area	+161.9	
WASHINGTON		
Seattle area	+608.1	

Certainly federal aid has come none too soon.

#### CHICAGO'S SERIOUS PLIGHT

Chicago (Cook County) has come to the end of its resources time after time and has been assisted by the state and recently by the federal government. Conditions were so serious that the Reconstruction Finance Corporation made \$3,000,000 available as their first grant on July 27. At that time the Illinois Emergency Relief Commission had only enough funds left from their \$18,750,000 fund to last a few days. Soon the \$3,000,000 were exhausted and another grant of \$6,000,000 was made to carry the state through to the first of October, most of this being made for the Chicago area. Another grant of \$5,000,000 was necessary before October 1.

Conditions in Chicago have been steadily growing worse—relief agencies had an additional 8,000 families to care for during the usually quiet month of July. Expenditures for this month were nearly \$3,000,000. About 100,000 families (approximately one half million persons) received aid, the average grant amounting to \$23.78 per family. In October it was necessary to make a drastic cut in this allowance. Rents are not paid by the relief agencies and housing in certain sections is unspeakably bad. The unemployed number between 600,000 and 700,000 or about 40 per cent of the employable workers with more and more of these being forced to ask for relief. It is estimated that at least \$35,000,000 will be spent in 1932 for an inadequate job and that adequate relief would cost at least \$50,000,000. The gross bonded debt of Chicago amounted to \$364,174,690 in 1932 which is an

increase of \$109,106,290 over 1929.<sup>1</sup> Tax collections for 1931-1932 amounted to only 52 per cent and taxes for 1930-1931 have not yet been collected.<sup>2</sup>

#### DETROIT CUTS IN FACE OF NEED

In Detroit the public welfare department has been operating on credit since March, 1932, with current bills unpaid totaling \$2,650,000. The city has been unable to dispose of the remaining \$1,800,000 of the \$10,000,000 authorized bond issue. Because of this and because it would be impossible for the state to take action in time to meet the emergency, the R. F. C. made \$1,800,000 available in Detroit. This is expected to carry the relief load into October.

Although need has steadily increased, the amount expended in Detroit has been contracted because of the serious financial situation. Prior to last winter, the city met expenses for relief at the end of each month, all applicants were given attention and relief was liberal. In July, 1931, \$7,000,000 was appropriated to run until July, 1932, this being half of the expenditure for the previous year. This meant reorganization of the city department on a "Survival basis." Economy was made necessary by a tax delinquency of \$13,000,000 on a tax budget of \$76,000,000 for the year ending July 1, 1931, and an anticipated delinquency of \$20,000,000 for the year ending July 1, 1932. No further local taxation is now being considered since delinquency on present taxes is running 25 per cent. Measures of state relief are deferred until the legislature meets in January, 1933.

In January, 1932, the city was caring

<sup>1</sup>All of the figures for bonded debts in this article are taken from "The Bonded Debt of 241 Cities as at January 1, 1929"—NATIONAL MUNICIPAL REVIEW, June, 1929, and "The Bonded Debt of 289 Cities as at January 1, 1932"—NATIONAL MUNICIPAL REVIEW, June, 1932.

<sup>2</sup>(From the Weekly Bond Buyer Aug. 27, 1932.)

for 48,000 families. By August this number had been reduced to 21,500 families with relief given at the rate of 15 cents per day per person. Part of this lowered case load in the fourth year of the depression is accounted for by the fact that about 200,000 people have left Detroit within the past eighteen months. It is no longer possible to maintain standards of living on a case work basis but only on an emergency subsistence level.

#### "STARVATION" IN PHILADELPHIA

The situation in July, 1932, in Philadelphia was described by the Community Council as one of "Slow Starvation and Progressive Disintegration of Family Life." Unemployment has averaged from 40,000 to 50,000 in recent years but by May, 1932, this total had reached 298,000. In June the governor of Pennsylvania estimated that 250,000 persons in Philadelphia "faced actual starvation." Food allowances have steadily dropped as the relief load has increased and no provision is made for rents. There has been a determined opposition on the part of taxpayers' organizations to increasing relief appropriations which can only be carried by an increase in the tax on real estate. The gross bonded debt for the city shows an increase of nearly \$78,000,000 from 1929 to 1932. Since April, when private funds were exhausted, the main burden of relief has been carried by the special state appropriation which was exhausted in July.

July expenditures were only \$120,000 as compared to over a million dollars in June, 1932, because of this shortage. The city machinery for relief lapsed for two months until additional state funds were appropriated. Federal funds were finally made available in September.

#### OTHER CITIES DESPERATE

Pittsburgh likewise has an increasingly serious problem with 178,000 unemployed and 30,000 on part time work,

and relief expenditures for 1932 about three times that of 1931 although grants have been seriously reduced. Emergency appropriations from city and county have permitted relief to continue when state funds were exhausted. A work relief program ran from November, 1931, to March, 1932, during which time over \$1,000,000 raised by private subscription was expended for employment.

In Washington, D. C., a division of emergency relief was established in the board of public welfare during August, 1932. During this first month, applications came in at the rate of 200 and 300 a day, amounting to 7500 applications by the end of the month. Since only \$60,000 a month is available until the next Congress meets and the load has been increasing, it has been necessary to cut the rate of relief about 40 per cent in order to take care of the increasing numbers. Work relief is being given through a private agency with the public department referring their clients for work on a case work basis. The Community Chest in Washington has also been forced to cut its budget 10 per cent, hoping that this deficiency will be met by a grant from Congress.

In Boston the amount spent on relief almost doubled this last year. For July, 1932, this amounted to over \$1,000,000 as compared to \$600,000 for the same month the previous year. Practically all of this is expended by the city public welfare department. During the past three years the gross bonded debt has increased nearly 10 per cent from \$144,000,000 to \$158,000,000. Tax collections for 1931 were 81.6 per cent. ("Financial Facts and Figures"—Auditing Department—City of Boston—April 11, 1932.)

#### MILLION UNEMPLOYED IN NEW YORK

New York City has a huge relief program with 1,000,000 of the city's 3,200,000 working population unemployed.

Relief has been given on a "Disaster Basis" with disastrous effects on the population. Expenditures are running about \$6,000,000 per month. The need is growing and \$75,000,000 is considered a conservative estimate for the next twelve months. Combined city and state resources have been necessary to meet these needs.

In up-state New York the municipalities have been extremely fortunate in having the able assistance and financial support of the state temporary emergency relief administration. The state refunds 40 per cent of the money spent for outdoor relief and a proportion of the expenditures made for work relief in the local communities. In all of these cities the amount spent for 1932 is two or three times as great as for the corresponding period in 1931.

Buffalo expects its present funds to last until December 1, 1932, when it will raise enough on a bond issue to carry through the present fiscal year ending July 1, 1933. Buffalo's gross bonded debt has only increased about 7 per cent during these last 3 years and tax collections were 92 per cent for 1931,<sup>3</sup> so Buffalo should not find it difficult to raise this money.

In Rochester the public welfare department spent its 1932 budget in less than five months. The economy program of the city administration and legal restrictions on the amount of money raised for current expenses have hampered the program.

In Syracuse the public welfare department budget was exhausted in September. The food allowance had been reduced to 11 cents per person per day. Housing congestion has intensified and living standards were lowered. The expenditures for outright and wage relief had almost tripled during the year. The gross bonded debt for the year increased nearly 15 per cent from 1929 to

1932. Tax collections for 1931 were 87.6.<sup>4</sup>

#### OHIO CITIES SPENDING MILLIONS

Ohio cities also report serious conditions. In Cincinnati (Hamilton County) the taxing bodies spent \$1,400,000 for the first six months of 1932. In August an additional \$1,000,000 in bonds was issued to be sold for use during the next three or four months. The relief load has been running between 20,000 and 30,000 with the maximum reached being 31,000. Standards of relief have been radically reduced so that the average relief given is only about \$5.00 per week per family. In April the city had over 700 evictions. The May census shows that only one half of the working population is employed on a full time basis. Some idea of the decline in living standards can be guessed by the fact that payrolls declined about \$96,000,000 during the last year and only about \$2,000,000 was given for relief. The present funds are expected to last until the first week in December. There is no expectation that sufficient funds will come from private sources and there is at present no provision for direct state relief. A very small increase was shown in the gross bonded debt in the past three years and tax collections have held up better than in most cities.

Cleveland has had great difficulty in balancing its budget during the past year. The legislation passed at the special session of the state legislature relieved the situation somewhat. It is estimated that at least 40 per cent of the workers are unemployed in the county. Of the 65,000 families who have no breadwinner, about 24,000 are being cared for by relief agencies, but an increasing number have used up their savings or can no longer depend on relatives. On September 24 the R.F.C.

<sup>3</sup>("Annual report of the Comptroller." City of Syracuse, N. Y. 1931.)

<sup>4</sup>(*Weekly Bond Buyer* June 18, 1932.)

made \$2,807,000 available for Cuyahoga County and the city of Cleveland to meet their emergency relief needs until the end of the year. Local resources are said to be exhausted. Advantage has been taken of all regular and special levies, reallocation of gas tax and motor vehicles license fees, special community fund appeals and transfer of funds from other welfare purposes to relief, and bond issues under three different legislative acts. Special emergency relief funds amounting to \$8,445,000 have been provided since January, 1931, with an additional \$5,000,000 for work, medical and institutional relief.

In Toledo, city relief funds coming from a special one and one half million tax levy were exhausted by July 1. This levy should have created a fund of \$800,000, but due to delinquent taxes only \$400,000 was received. Expenditures are running over \$100,000 per month, although the city has resorted to a commissary distribution of the cheapest grade of foods at a cost of 6 cents per person per day. The present load runs about 9,000 families with an estimated load for this next winter of about 15,000 families.

#### FUNDS FAIL IN ST. LOUIS

St. Louis, Missouri, is having an unusually bad time. Last winter one-third of the employable persons were without work. Although applications for relief were increasing, agencies were forced by lack of funds to drop 8,000 families on July 1 and another 5,000 on July 15. The city petitioned the governor to appeal for a \$2,000,000 fund from the R.F.C., estimating that this would not suffice for the winter. Only \$628,930 was advanced to meet current emergency relief needs as the citizens are to vote on a bond issue of \$4,600,000 on November 8. This advance is supposed to cover only the intervening period before the proceeds on the bond issue are realized.

During the "crisis" campaign last spring the city pledged \$600,000 for relief and another advance of \$200,000 was made when this was expended. Tax legislation to meet these advances has been passed which is expected to produce \$1,000,000 by July 1, 1933. The city can assume no more obligations against municipal revenue and has also reached the limit of its taxing power. State funds cannot be made available. Across the river the East St. Louis conditions are even worse, as 60 per cent of the workers are unemployed.

Conditions in industrial centers in the south are also serious. In Birmingham, Alabama, there were 12,000 tax delinquencies and there had been 6,000 tax sales by the first of the year. Although the city has been paying for the relief given, this has been administered by the Red Cross. The food allowance has been less than \$4.00 a week for a family. City and county treasuries were in such serious condition that additional funds could not be made available in August. In certifying their needs to the R.F.C., the governor gave supporting data to show this, also their lack of power to issue or assume obligations and the lack of market for such obligations if issued. As a result of this extreme situation, \$225,000 was made available to the city of Birmingham and county of Jefferson to meet these current relief needs.

#### DEPRESSION HITS THE WEST

Although the west was slower to feel the effects of the depression than other sections, it is now fully sharing the general situation. In Denver the city's charity budget for 1932 was exhausted by the end of April. The mayor turned over an additional \$1,000,000 to last until September 1. The special unemployment fund of \$452,700 which was raised by private subscription last November was exhausted by spring and the committee \$100,000 in debt by the

time an additional \$175,000 was raised. During July, 1932, a total of \$61,056 was spent which represented an increase of 157.5 per cent over July, 1931. Work relief in the form of lumber camps accounted for nearly \$12,000 of this expenditure.

On the west coast, Portland, Seattle, San Francisco and Los Angeles are all having their difficulties. Seattle (King County) has had \$675,000 made available by the R.F.C. Supporting data accompanying the application of the governor estimated the needs of King County during September, October, and November at \$1,375,000. Of this total, \$600,000 will be covered by local governmental funds and \$100,000 by private contributions in addition to the \$675,000 from federal funds. Without this aid relief would have depended upon their ability to cash warrants and such warrants were selling at a large discount when application to the R.F.C. was made. The amount expended for relief in July, 1932, was \$187,518 as compared to \$26,483 in July, 1931, representing an increase a little over 600 per cent. Constitutional difficulties make it impossible for the state to assist at this time.

Portland, Oregon, has nearly 40,000 unemployed and over 13,000 families on relief. Of the \$170,442 for relief given

there during July, \$124,112 was in the form of work relief.

Last winter Los Angeles had more than 150,000 unemployed, of whom 60,000 were heads of families. Funds have been running low so that the amount spent for relief in July, 1932, was actually 71.2 per cent less than that spent during July, 1931. Los Angeles has recently voted a \$12,000,000 bond issue to meet this situation. The transient problem has complicated relief in Los Angeles to an unusual extent. The total relief for the San Francisco area in July, 1932, was \$610,110 as compared to \$166,441 in July, 1931, or an increase of nearly 300 per cent. A large proportion of this is given in the form of work relief. San Francisco has recently voted a bond issue of \$6,500,000 to meet these increasing expenditures.

Lack of space prohibits discussion of similarly critical situations in many more cities. Enough has been said, however, to emphasize that we are struggling with a national calamity, occasioned by forces and circumstances above and beyond the control of municipalities. It has been demonstrated that national assistance on an increasing scale is a necessity if the financial integrity of municipalities is to be safeguarded and if relief is to be "furnished for needy and distressed people."

# Tammany Totters But Triumphs

Most serious threat to Manhattan machine since days of Tweed prosecution collapses in a last minute deal

BY JOSEPH D. McGOLDRICK

*Columbia University*

THE protracted investigation into the affairs of New York City and its popular mayor, James J. Walker, was brought to an abrupt and unexpected close on September first when Mr. Walker resigned to seek vindication.

The mayor and his counsel had been having an unhappy time of it in the hearings before Governor Roosevelt. The governor had accepted the communication which Judge Seabury, counsel to the legislative committee, had transmitted to him as constituting charges against the mayor. It was insisted on Walker's behalf that these proceedings were in fact a trial and that he was entitled to be confronted with witnesses against him. The governor refused to take this viewpoint, but insisted that since these matters had been testified to under oath before the legislative committee, he was entitled to question the mayor about them. He offered to permit the mayor to ask for any witnesses whom he might question, but refused to require that the entire testimony be reproduced and the witnesses subjected to cross-examination before him.

This, among other things, was fixed upon by the mayor and his counsel as evidence of prejudice in the governor's mind. From the very outset of the proceedings, they took the attitude that the governor was essentially hostile and that he had already made up his mind to remove the mayor. It seems almost need-

less to say that there was no evidence that remotely suggested that the governor had in fact made up his mind, and no impartial observer could possibly object to the manner in which the proceedings were conducted.

## NOT ANOTHER "JIMMY"

Under the city charter, the office of mayor being vacant, the president of the board of aldermen, Joseph V. McKee, assumed the duties of the office. The president of the board of aldermen is elected by the city at large in the same manner and at the same time that the mayor is elected. In his seven years in this office, Mr. McKee had had many opportunities to understudy his illustrious and itinerant chief. It was no secret that he hoped to succeed him next year. The two, of course, are very different sorts of persons, as one would expect since they were run on the same ticket. Mr. McKee's manner is serious, and his personality somewhat colorless. He is accustomed to apply himself with unusual diligence to his work. Some years ago he taught Latin and Greek at Fordham University while studying law, and he is frequently taunted with having a school teacher's mind.

Mr. McKee belongs to the Bronx County Democratic organization. The Bronx happens to be next to the smallest of the five counties which now make up Greater New York. The Democratic

organizations in each of these counties are independent of the New York County organization, which is better known as Tammany Hall. The influence of Tammany does not extend to these four counties, but the Tammany organization has long been the most powerful, and it has been customary for the other county leaders to defer to the Tammany boss as their spokesman in external matters. "Ed" Flynn, Bronx County boss, is secretary of state in New York, and next to Farley, the most important adviser in things political of Governor Roosevelt.

#### TAMMANY SEES REEFERS AHEAD

The situation as it stood on September second, might be summed up as follows: Governor Roosevelt, against whose nomination Tammany, under the leadership of Curry, had fought to the last ditch, seemed definitely headed for the White House. Lieutenant Governor Lehman seemed destined to succeed his close friend Roosevelt at Albany, and now Mr. McKee, who with his leader Flynn had fought for Roosevelt at the Chicago convention in defiance of Tammany, was to occupy the office of mayor. There was every prospect that Mr. Flynn would be continued as secretary of state by Mr. Lehman, and that as such, he would control the disposition of Mr. Lehman's state patronage in New York City, Roosevelt's federal patronage, and McKee's municipal patronage in New York City. In short, he would be the boss of New York City, if not of the whole state, and the hegemony of Tammany among the county organizations of Greater New York would be at an end.

Faced with this desperate situation, the pundits of Tammany Hall searched the statute books and concluded that the law required that a successor to Walker be immediately elected. This would furnish Mr. Walker with abundant opportunity to seek vindication at

the hands of the voters and at the same time save Mr. Curry from the threat of a Bronx mayor. The city board of elections, therefore, obedient to these counsels, ordered an election. Mr. McKee and his friends at once challenged this proposal, and the court of first instance concluded that Mr. McKee was entitled under the charter to serve out the remainder of the Walker term, until December 31, 1933. The Appellate Division of the Supreme Court, two weeks later, reversed this ruling. The legal question was admittedly an exceedingly close one. Most lawyers were persuaded that there was no clear law on the subject, and the decision could well go either way. The time for holding conventions and filing nominations was rapidly coming to an end. The last day for so doing would be October 11. The Tammany leader, therefore, with his colleagues from Brooklyn, Queens and Richmond, issued a joint call for a city convention on the evening of October 6. The Bronx leader refused to join in this call.

#### ANOTHER JUDICIAL BARGAIN

Meanwhile, the Republican and Democratic judicial conventions in the first judicial department, combining Bronx and New York Counties, met to select Supreme Court nominees. To the community's considerable astonishment, the two conventions simultaneously chose Senator Samuel Hofstadter, Republican, and Aron Steuer, Democrat, son of the well-known Max D. Steuer. Senator Hofstadter was chairman of the State Legislative Investigating Committee, whose work had led to Mayor Walker's resignation. That he of all people should be named in a bi-partisan deal was profoundly shocking to thoughtful citizens of the New York community. The Bar Association of the city of New York by a vote of 580 to 20 declared that this action on his part rendered him and Steuer unfit for judicial office. In

nominating Hofstadter, Boss Curry was able to pay Governor Roosevelt additional insult, since the place that he gave to Hofstadter was taken from Judge Rosenman, former counsel to the governor, whom Roosevelt had placed on the bench last spring. The Hofstadter deal was at once taken as a signal that leader Curry would fight Roosevelt on the selection of Lieutenant Governor Lehman as his successor at Albany.

The Hofstadter nomination not only served to discredit in the eyes of many persons the Seabury investigation, but it removed one of the strongest Republican vote getters and most popular Hebrews from the possibility of participation in the state or city tickets.

The fight to defeat Lieutenant Governor Lehman was not based upon religious antipathy, since it is well known that Tammany has never hesitated to advance Jews for public office, and in fact, sought afar for a Jewish candidate to put forward in his stead. The difficulty seems to have been a feeling that as governor, Mr. Lehman would not be sufficiently tractable to Tammany leadership, and he had incurred the extreme displeasure of the bosses in Albany County by his refusal to participate in the pardon racket. To this may be added the fact that the Curry and Walker groups, despite all outward professions, have no love for Governor Roosevelt and they were fully aware that the governor was eager to have Lehman succeed him because of his faithful and self-effacing assistance to him at Albany.

They failed to reckon, however, with Al Smith's strong obligations to Lehman. It was through Smith that Lehman entered politics, and Lehman is reputed to have contributed upwards of half a million to various Smith campaign funds. If the Tammany leaders believed that the coolness between Smith and Roosevelt would prevent the former from working for Lehman, they made a

mistake. The result was a complete rout for Boss Curry at the Albany convention, and a healing of the Smith-Roosevelt breach. So complete was the rout, that for the moment it appeared that Mr. Curry's leadership was floundering. To some it had seemed that in opposing Lehman, Curry had been seeking promises from Roosevelt and Smith that would enable him to run Walker in the municipal election. He not only failed in this, but it now appeared that Roosevelt and Smith would be able to defeat the Walker supporters and perhaps topple Mr. Curry from the Tammany throne.

#### TAMMANY ON THE DEFENSIVE

As the day of the city convention approached, the gossip had it that Mr. McCooey, the Brooklyn leader, who had deserted Curry at Albany to support Lehman, would now work out a bargain with Flynn, that would gently remove Curry from the picture.

Four hours before the convention assembled, the Court of Appeals, New York's highest tribunal, decided that the law required an election to be held in New York City to fill a vacancy occurring more than thirty days before the next regular election. That evening, October 6, the members of the county committees of the five counties of Greater New York, assembled in the Madison Square Garden arena.

The leaders had come to no agreement. The air was thick with rumors. Some had it that the convention would stampede to Al Smith. With nothing else to do, the leaders determined to have a roll call of the 32,000 committee members present. The delegates were restless and impatient. People were wondering whether they were attending Tammany's wake. But the Tiger has at least nine lives—at 11 o'clock, Messrs. Curry, McCooey and Flynn entered smiling broadly, and the delegates presently learned that their choice

(Continued on p. 640)

# Racketeering—an Alliance Between Politics and Crime

WHEN accurately defined racketeering is seen to be a new arrival upon the criminal scene

BY GORDON L. HOSTETTER

*Employers' Association of Chicago*

THERE is scarcely a commodity exposed for sale that does not cost more because of racketeering. The citizens of Chicago alone pay \$145,000,000 a year in tribute to this new monster. The city budget of Chicago is only about \$20,000,000 more—or \$165,000,000. As not less than \$20,000,000 is required by the Chicago city administration to deal with the direct and indirect effects of racketeering, I think it may be argued that racketeering costs Chicago a yearly extortion toll equal to the cost of the whole city government. Throughout the country the total tribute paid to racketeers reaches an appalling total.

## RACKETEERING DEFINED

You will find in no dictionary a definition of "racket" that contains the sinister connotation which the word carries to the initiated of the underworld, or to those who have been forced to fight the rackets or submit to the intolerable evils which have come to wear this label. A real racket is a conspiracy to control an industry or a line of trade and to commit extortion by intimidation, force, violence, blackmail, arson, murder, kidnapping, bombing, and other forms of coercion.

At first racketeering was believed to be a form of graft or extortion seized upon by a few professional criminals

as an easy and rapid method of procuring needed personal funds until some more lucrative form of crime became available to them. It was thought that racketeering was not a part of the main body of crime, and that it would quickly pass after exposure and a few prosecutions.

We have been disillusioned. We found that it was deeply rooted in corrupt politics. We discovered it was a definite and formidable part of, and drew much of its strength from the general structure of crime. We traced its ramifications into otherwise respectable departments of society and found them so extensive that the setting up of plans to combat it was exceedingly difficult. In short, we proved racketeering to be a new attack on society, a critically dangerous manifestation of the oldest vice of man—greed.

It is important to understand precisely what the word "racket" means. To the man in the street, every form of crime now is a racket—"gyp" games, "slick" schemes, fraudulent advertising, bootlegging, counterfeiting. Certainly all these are inimical to the welfare of society, but the word "racket" means more than this. Traced to its original meaning, it is always found to suggest force; extortion, coercion, the application of intolerable pressure in some form, is always implied.

### THE EVER-PRESENT CLOAK OF RESPECTABILITY

Another fact of profound importance—perhaps the greatest in importance—is, that racketeering always parades itself under a cloak of respectability. No racket has yet been discovered and exposed that did not present itself as having a worthy economic or social purpose. Rackets do not declare themselves as such. Bootlegging, for instance, is exactly bootlegging, admittedly criminal in its violation of the law. Whisky and beer runners admit the illegality of their profession. Racketeering is, on the other hand, a mental condition, a philosophy of economics, translated into a course of action, and seized upon by business men and labor leaders as a quick solution of their problems of competitive conditions and labor organization control. It is by no means an invasion of alien criminals who, by sheer force of numbers, by capacity for violence, and by cunning in devilish devices extort from business and the public a criminal tribute. Racketeering is an inside job and a native American product, for which business itself is too greatly responsible. The power and spread of the evil is traceable in great part, therefore, to the subtlety of its operations and the respectable appearance of its abiding place.

#### RACKET PERSONNEL

The true racket is comprised of four elements:

1. The business man, business group, or association of business men;
2. The leader or leaders of organized labor;
3. The criminal underworld;
4. The politician.

The collective purpose of this conspiracy, obviously, is exploitation of the public. But, breaking it down into its component parts, what do we find, by experience, to be the purpose of each

factor? Let us examine them in the order named:

The business man seeks to create and maintain for himself and a favored few a monopoly in his particular field of service or trade. He seeks, through the pressure that can be brought by politicians in the misapplication or thwarting of the law, and through the withdrawal or withholding of labor by union leaders, to embarrass his competitors to the point where they will either recognize and abide by racket rules and edicts or quit the field of competition. He seeks to maintain an arbitrary, and usually artificial, price for his commodity or service, through forcing universal recognition of his particular notion of what constitutes a satisfactory price. He seeks even to dictate the enactment or application of laws that govern his business.

The leader of organized labor who betrays his trust and lends himself to a racket seeks first a monopoly of control over the workmen engaged in a given trade. This insures to his treasury the dues of all men of that trade, or creates a situation by which he may dispense the right to work under the "permit" system, at so much per man per day. Moreover, it enables him to manipulate his man forces to the advantage of his co-conspirators, the business man or the politician or both, and to the discomfiture and disadvantage of business men who dare to assert independence of the racket.

The politician by paralyzing the hand of the law, is of course, looking to campaign contributions, organization work, and votes at election time, and frequently also to participation in the profits of the conspiracy.

The criminal underworld finds lucrative employment to bomb; to commit arson; to slug, main and kill; to terrorize an entire community into staying away from the polls at election time, and to

fraudulent voting and terroristic practices at the polls.

It is an astounding fact that at one time in Chicago there were 163 rackets of the character described. This means, of course, that at least that many lines of human endeavor were being operated by and controlled through conspiracy. There is not an avenue of endeavor in Chicago which is not now or has not at some time felt the pernicious effect of racketeering, directly or indirectly. New York, Cleveland, Detroit, St. Louis, the Twin Cities, Denver, Los Angeles, have experienced it, and at this very hour can feel the grip of rackets tightening on the throats of various trades and lines of industry.

#### RECENT CHANGE FOR THE WORSE

Racketeering as just described has undergone a rather considerable change during the past two years; a change for the worse if that were possible. Whereas several years ago organizations of business men and organized labor were principally responsible, with the criminal acting merely as a tool or an agent, the criminal is now gaining the ascendancy. What is more alarming, organized criminality is directing its efforts toward the control of business and labor as a means of perpetuating itself—when, as, and if, and possibly regardless of whether, its peculiar field of activity is destroyed by repeal or modification of the eighteenth amendment. Open declarations of this intention have been made by some of the country's most notorious criminals, and sufficient evidence is present to indicate the success of their programs.

#### PART PLAYED BY UNSCRUPULOUS LAWYERS

Many causes may be ascribed for the phenomenal growth of this economic monster. One cannot address himself to this subject without dealing at least briefly with the part taken by unscrupulous members of the legal profession in the development and spread

of racketeering. In fact, some rackets are founded upon clever legal instruments creating organizations or structures which in themselves are not illegal, but which (I believe) were drawn with full appreciation of the fact that they would be impotent except as the rule of force were employed in making them operative. I know of one instance where a fee of many thousands of dollars was paid to a lawyer of high political prestige to devise an instrument which almost immediately it was adopted by his clients became "scenery" merely behind which to carry on a city-wide program of terrorism. Examine into the heart of practically all conspiracies of this character and you will nearly always find there a lawyer, or a group of lawyers, guiding, protecting or otherwise assisting the racket. Indeed, some rackets have had their very genesis in legal quarters.

These facts raise a serious interrogation concerning the ethics of the legal profession. To one who is not a lawyer, the attitude of this profession toward the whole field of organized criminality is somewhat bewildering. Laymen often wonder if any two members of the legal profession could themselves agree upon a code of ethics toward a given criminal situation. We have seen the extent to which some lawyers have lent themselves deliberately to the machinations of organized crime. We know in some measure the extent to which they have twisted and distorted the law to suit the peculiar and particular purposes of a criminal clientele. We know something of the abuses of habeas corpus. We are aware of the tremendous effectiveness of that much abused weapon—the "continuance." So widely and effectively is this used and abused that it has become anathema to complainants in criminal trials, a solace to the criminal, and a source of repeated fees to his lawyer. The layman is aware of the fact that every criminal gang worthy of mention has its high priced legal counsel. We know that this legal

talent is definitely depended upon to "fix" or otherwise prostitute the law to suit criminal purposes. The layman also sees the lawyer in the legislature, in the congress, in the courts, and in the various agencies of law enforcement. To the layman the lawyer is the law personified. But the layman sees also the almost total absence of disciplinary control by the legal associations over the actions of members of the bar. Some lawyers, having been convicted of violation of federal law and having served sentences in federal penitentiaries, have returned to what seems a full fellowship of the bar.

#### THE COST OF RACKETEERING

The cost of the racket is incalculable. There is not a statistician in the country who would be able to trace the myriad ways in which racketeering and other criminal tribute finally is levied upon the citizens. A federal judge is authority for the assertion that crime costs the people of the United States somewhere between \$11,000,000,000 and \$13,000,000,000 per year. This is a stupendous figure. This crime bill

is greater than the total cost per year to the United States of carrying on the World War. If this money were immediately available for public works and other constructive enterprises there would be no unemployment this winter in America.

Racketeering constitutes no inconsiderable part of this total cost, as shown by one example—the bombing record in Chicago alone, without including other cities. The estimated property damage caused by 500 bombings in Chicago during the past five years is \$1,077,369, or an average of \$2,155 per bombing. Seventy-eight bombings in Chicago during the year 1932 have caused a property damage of \$110,800, or an average of \$1,420 per bombing. This is without attempting to evaluate lives—rackets in Chicago have been responsible for nineteen murders of business men, labor leaders, and others in the past four and one-half years. New York, Cleveland, Detroit and other cities have equally nauseous records.

This is a harsh picture. But I have understated it to make it credible.

### TAMMANY TOTTERS

(Continued from p. 636)

for mayor was John P. O'Brien, Judge of the Surrogate's Court, life-long Tammany man, and a close friend of Mr. Curry! What happened in that conference has apparently not yet reached the stage of "Now It Can Be Told." But Acting Mayor McKee, who was being urged to bolt and run as an independent, accepted the result with apparent equanimity.

#### THE TIGER SMILES AGAIN

Mr. O'Brien has a reputation as a solid respectable member of the Tammany organization. Never considered one of its intellectual ornaments, he none the less is a person of good repute in the community. Little known to the New York public, although rather favorably in political circles, his name will be guarantee enough for a large segment of

the New York electorate. As mayor, he cannot hope to provide the entertainment that Jimmy Walker gave the town. He is part and parcel of the Tammany system and believes in the patronage structure. On the other hand, he has a reputation for honesty and courage. He is a distinctly positive sort of person, and he knows too much of politics to be readily hoodwinked.

The unanimity of the five Democratic leaders and their convention robbed New York reformers and mugwumps of all hope that they might have had of turning the Walker scandals to greater advantage. The Republicans met two nights later, and lamely nominated the highly respected and somewhat aged Lewis H. Pounds. There is no question of Mr. O'Brien's election.

# Indiana Adopts A Tax Limit Law

NEW "Indiana plan"  
won't work and satis-  
fies nobody but there  
it is!

BY VIRGIL SHEPPARD

*Toledo, Ohio*

Indiana has a new plan which promises not only to be discussed as much as the old but probably a great deal more. For public officials know the plan will not work and Hoosier taxpayers are unfortunately due to find out that they can't have government without paying for it.

A forty day special session of the legislature this summer placed a limit of \$1.50 upon each \$100 of taxable real and personal property in the state, limiting the rate for state purposes to 15 cents, and leaving the remaining \$1.35 for the operation and debt obligations of the schools, townships, counties, towns and cities. The average tax rate in Indiana this year was approximately \$2.80 on a total valuation of \$5,073,600,000. Reappraisal of this year will decrease the valuation to a little more than \$4,000,000,000, a 20 per cent reduction. The taxpayer whose tax bill was \$28 on property valued at \$1000 will, if the \$1.50 limit is enforced, pay in 1933 only \$12 for the support of state and local government, a decrease of 43 per cent.

## AN IMPOSSIBLE REQUIREMENT

Of course, it can't be done. And legislative leaders, realizing the impracticability of this law but wanting to respond to pressure for economy, placed in the law a provision that in an emer-

gency—the term was not defined—the rate of any local unit can be raised.

It is in the machinery set up for increasing the rate above the \$1.50 limit that Indiana again gives the world a new plan. In each of the 92 counties in the state a board of tax adjustment, comparable to the county budget commission in Ohio, is set up. This board is composed of the county auditor, three members chosen by the county council and three by the circuit court judge. Like the Ohio county budget commission, this board has as its first duty paring the requests of all local units so as to bring the total rate on county property within the \$1.50 limit, of which 15 cents, of course, goes to the state government.

But unlike the Ohio agency and apparently unlike any agency in any other state the new bill provides that upon the declaration by any local unit, that an emergency exists, the board may fix a higher rate for that unit. There is no limitation as to how high the rate can go. With a decrease in taxable values, it is probable that in many local units the rate may be considerably larger than it is for the present year.

## ANOTHER BLOW TO HOME RULE

The new law also takes away much of the little amount of home rule that local units have enjoyed in the field of taxation. Formerly each unit fixed its

own tax rate, subject to state laws requiring certain mandatory levies and other minor limitations. To this extent, there was home rule in the levying of property taxes, although any ten or more taxpayers could appeal to the state tax commission under the "Indiana Plan" for a reduction in the local budget, which might, perchance, reduce the tax rate. Under the recent law the power to fix tax rates is practically taken away from the legislative body of each subdivision—schools, counties, townships, towns and cities—and given to a new county agency super-imposed on all existing governmental agencies.

Upon this board there are no representatives of the schools, townships, cities, towns or villages. Urban interests will inevitably be made subservient to the wishes of a county agency which in most counties of the state will be in the hands of rural-minded officials. The inevitable conflict will be extremely interesting. What a wallop a rural-minded board in Allen County can give to "them gol-darn tax spenders in Fort Wayne."

In its effort to make an almost impossible law appear to work the Indiana legislature enacted two other measures which will help to reduce the burden on real property. First, fifty per cent of the revenues from gasoline taxes and from motor license fees are to be diverted to the treasuries of counties and cities on a road mileage and population basis for road maintenance and construction. Now, only one-fourth of the gasoline taxes are so diverted. Second, the legislature ordered an arbitrary reduction in expenditures for personal services to 90 per cent of the 1931 amount for every governmental unit including the state. To make certain that this reduction would be made not only by laying off employees but by reducing all salaries over \$1200 on a graduated scale, the following formula was adopted:

Divide the annual salary by 100  
Multiply the result by .0025  
Subtract that answer from .99.  
Multiply the salary now received by  
the figure so reached and the  
amount so ascertained will be the  
new annual salary for 1933 and  
1934.

The plan reduces salaries on a really graduated scale running from 4 per cent on a \$1200 salary to 26 per cent on \$10,000.

#### STATE GOVERNMENT IN A HOLE

In fixing the tax rate for state governmental purposes at 15 cents against 29 cents for 1932 with no provision for an emergency levy, the legislature has made it impossible for the state to operate next year without creating a large deficit. With a reduction of 20 per cent in the taxable values the general property tax revenues for 1933 will be reduced from between \$14,000,000 and \$15,000,000 to around \$6,000,000. Even with decreases ordered in salary expenditures, it is inconceivable that all the state departments, the many penal and eleemosynary institutions, and the two large state universities and normal schools can be operated without supplying income from additional sources. The legislature failed to provide any additional source, as proposals for a tax on personal and corporate income and a tax on retail sales were defeated and the state has no borrowing power under its constitution.

This serious situation was the result of bitter partisan politics. The Democrats, who controlled the lower house and with some rural Republicans had a working majority in the senate, earlier in the year placed a \$1.50 limit in their state platform. The Republican governor, not a candidate for reëlection as he cannot succeed himself, upon insistent demands from the farmers and realtors, called a special session of the

general assembly to legislate on a program of reduction in governmental expenditures for 1933. The Democrats were "caught" with the \$1.50 promise and had to make good before the November election. They passed the bill, counting on the Republican governor to veto it. Presumably recognizing the tight position in which the bill may eventually place those of an opposing political faith, the governor permitted it to become a law without his signature. Alarmed Democratic leaders even went so far as to suggest an immediate repeal of the bill before the special session closed but nothing was done.

#### GOOD OUT OF NAZARETH

The new law may have some value after all, however. In the hands of a capable board, it could be made a very workable and even satisfactory means of reducing the burden upon property and of curtailing unnecessary expenditures on the part of the officials of the local units. This is improbable. But the law has another possible value. It places the burden of proof on the officials of each unit when the time comes for them to argue the case of the unit

for an emergency levy outside of the \$1.50 limit. They must now show cause for an increased rate. Political maneuvering may be a bit more difficult and genuine need may get a better hearing, since any emergency requests will inevitably be scrutinized by watchful taxpayers who have a final appeal to the state tax commission. For the new law stretches the "Indiana Plan" to cover the new situation. Ten or more taxpayers in any local unit can appeal to the commission in protest of any emergency levy ordered by the new boards of tax adjustment and the commission has final authority. The feeling in Indiana at the present time is that the tax commission will be kept busy hearing appeals under the new law. The new statute is really in line with Indiana's system of central control over the expenditures of local units of government. The boards of tax adjustment may be looked upon as boards of review in the first instance with final appeal to the state tax commission, although it should be pointed out that the officials of a local subdivision have no appeal to the state tax commission in the event that the county tax adjustment board denies a request for an emergency levy.

# Portland Considers a Service-at-Cost Traction Franchise

"THE franchise appears to be designed to rehabilitate the company, but not to rehabilitate mass transportation in Portland"

BY HERMAN KEHRLI

*City Club of Portland*

WHETHER a faltering mass transportation system should be resuscitated through public effort or be permitted to expire is a problem before the voters of Portland, Oregon. This problem is presented in the form of a new service-at-cost traction franchise. The proposers of this franchise have declared the issues to be whether city rate regulation should be substituted for state regulation, and whether fares should be decreased. The actual issue is much more fundamental.

Some type of mass transportation must be provided for the citizens of Portland. The present system, however, is giving the same type of service it gave twenty years ago, and with the same facilities. It has two great weaknesses. Its rolling stock is out of date and the present type of service was designed for a compact city. The residential section of Portland, as that of every other large city, has been moving away from the center of the city. No provision has been made to handle the population of the periphery in a satisfactory manner. Although through cars have been established on various lines, these through cars must follow the locals, and transfers to buses are usually required at the end of the line. To secure mass transportation facilities suitable to these new residential districts will probably require a new type of service.

Portland residents averaged only half as many rides per person in 1931 as in 1912. The weekly pass increased patronage but did not increase operating revenues which have fallen from \$5,227,644.53 in 1921 to \$3,918,085.85 in 1931. The operating income of the company has fallen from \$1,176,000 in 1921 to the point where the reported incomes of \$195,818.05 in 1930 and \$337,015.30 in 1931 have been at the expense of the depreciation fund.

## WILL THE COMPANY CEASE OPERATION?

With its controlling franchises due to expire at the end of this year, the traction company has intimated that it would cease operations in Portland unless a more favorable franchise would be granted by the city. The existing franchises were granted twenty-five years ago and probably represent the average franchise of that day. The utility is required to give such service as the city council may demand. The company is also required to build and maintain the roadway between and for one foot on each side of the tracks, and to pay franchise fees and bridge tolls which amounted to some \$30,000 and \$52,000 respectively during the past year. These are the "burdens" from which the street car company has repeatedly sought relief.

With the exception of motor buses, purchased since 1925 for two new lines

and for certain feeder lines, and fifteen new cars purchased last summer, most of the rolling stock in use dates back to the horse-and-buggy days. The average age of the 490 street cars in service is 23 years. Only twenty-five of these cars have been purchased since 1911. One hundred and forty were purchased prior to 1905.

To complete the picture, it should be stated that the traction company was, until recently, a part of the utility which furnishes most of the electricity to Portland and is still owned by the same holding company. The traction company is at present the best customer of the electric company, using 11 per cent of its output.

#### HISTORY OF THE FARE CONTROVERSY

The public of Portland has shown a great interest in the rate of fare charged for street car rides, and fares have figured prominently in a number of political campaigns. In April, 1929, the company petitioned the public service commission for permission to increase fares from eight cents (six for forty five cents) and four cents for school tickets, to a straight ten cents and five cents for school tickets. Although the company might have increased its fares to ten cents after a six months' delay, it chose to wait until the report of the Carey and Harlan Company which had been retained by the city. This report, known as the Carey and Harlan Traction Plan, proposed that the taxpayers assume enough of the company's operating expenses to permit the company to make an adequate return on its investment while charging a low fare. The plan proposed a service-at-cost franchise, abolition of all franchise fees and bridge tolls, and since its authors believed that "all of the surface of the streets should belong to the people of Portland," it also recommended that the city purchase and maintain the street car tracks and the pavement be-

tween the tracks. All this so that fares might be kept down and that the traction company might earn a proper income. The experts declared that street cars were essential to any mass transportation system, that buses would not serve as a substitute, and suggested that the rolling stock of the local company be remodeled for one-man operation.

Since the Carey and Harlan Traction Plan presented no evidence tending to show reason for refusing the ten-cent fare, that increase was allowed to take effect by default. The political campaign for lower fares, however, had been more effective. The morning of March 6, 1930, the first day of the ten-cent fare, saw the sidewalks and bridges leading to the center of the city thronged with people walking to work. As was later stated, "apparently six million revenue passengers declined to pay the increase in fare of two cents and turned their backs upon the street car system. The cost of the ride to these patrons had exceeded its worth." Beginning October 28 of that same year, a transferable weekly pass was sold at \$1.25 in an attempt to increase the popularity of the street car service.

#### PUBLIC SERVICE COMMISSION ORDERS REDUCTION

The request for ten-cent fare was first made on the grounds that the street railway employees had been promised a pay increase and that this could not be given without a fare increase. When the ten-cent fare went into effect a wage increase amounting to \$135,000 per year was allowed, but just a year later employees received a reduction in wages amounting to \$180,000 a year. Thereupon the public service commission, which had been reconstituted as a one-man commission, undertook the further investigation of the company's affairs and on May 29, 1931, ordered the inauguration of a fare schedule with seven cents as the maximum cash fare.

He declared "that the situation reflected from the record shows unwise management, unsound judgment, and utter lack of foresight with resultant deplorable conditions in mass transportation in the City of Portland." While the company contended for a rate base of \$14,680,424, the public service commissioner contended for a rate base of \$3,000,000 on the assumption that the physical property of the company "had no actual value for any purpose other than the scrap or salvage value all of which probably doesn't exceed three million dollars." The federal court refused to permit the public service commissioner to enforce the proposed fare schedule and the special master who took testimony in the case declared the value of the company's property for rate-making purposes to be \$10,000,000, although admitting that the company had not made a return upon such an investment for years and could probably not make such a return regardless of the rate of fare to be charged.

#### IS THE FARE IMPORTANT?

In the meantime, Carey and Harlan, who had been reengaged, reported the value of the company's facilities for purchase and for franchise purposes and also proposed a complete service-at-cost franchise, which, while carrying the name, "Carey and Harlan Service-at-Cost Franchise," was largely a copy of the service-at-cost franchise in effect in Youngstown, Ohio.

Public opposition to any measure which would increase the tax burden to any great extent had resulted in the abandonment of the proposal that "all of the surface of the streets should belong to the people of Portland." But other essential features of the proposed franchise were continued. A committee of twenty-five citizens, appointed to sound out public opinion, called attention to the fact that reduction of fares, if it had to be at the taxpayers' ex-

pense, might not be entirely desirable. It also called attention to the fact that the fare was not such an important factor in the popularity of a mass transportation system as had often been declared by Carey and Harlan. An especially interesting item cited was that the free riders, including the policemen, firemen, and company employees, had actually decreased during 1930 as compared to the preceding years, although the number of persons entitled to these free rides had increased.

This committee pointed out that mass transportation is in a state of flux and that buses might have to be substituted for street cars in the next decade. While favoring a service-at-cost franchise because of its flexibility, the committee demanded that the value for rate-making purposes under such a franchise should be arrived at by bargaining rather than by the prescribed axioms of cost valuation.

#### THE FRANCHISE BEFORE THE VOTERS

The franchise which has finally been submitted to the people is of the service-at-cost variety. It relieves the company of franchise fees, bridge tolls and the cost of providing pavement between the tracks. It also makes the city responsible for moving the tracks and the overhead system in case of street widening or reconstruction. The proposed franchise provides for municipal regulation of rates as specified in the franchise to substitute for state regulation. The street railway supervisor is to represent the city in all negotiations with the company. The franchise sets up the valuation of the company's present properties at \$8,662,553. This is to constitute the original capital value which shall be used for the purpose of fixing the rate of fare, the return to the company, and for the purpose of fixing the purchase price of the property should the city ever find it necessary to acquire it. This valua-

tion includes a good deal of obsolete property and equipment which is of no future value to the street car system. It includes 490 passenger cars, although only 325 are used to carry present peak loads, and although the franchise requires the purchase of more cars within the next four years. Several lines which have not been used for years are included at a nominal value. The surface paving between the tracks is included in the valuation at the figure \$1,706,192.74. The city engineer has pointed out that a good deal of this pavement should be replaced at once.

#### FARES AND RATE OF RETURN

An interesting feature suggested by the committee of twenty-five and included in the franchise, provides that the company's rate of return would vary with the average fare as follows:

Average rate of fare	Annual Return on Original Capt. Val.	Annual Return on Additional Capt. Val.
When 9 cents, or over	5%	6½%
When 7½ cents, or over, and less than 9 cents	6%	7%
When 6 cents or over, and less than 7½ cents	6¼%	7¼%
When less than 6 cents	6¾%	7¾%

Bait in the form of the following initial fare structure is being held out to the public in the proposed franchise:

Weekly Pass—\$1.25 each;  
 School Tickets—4c each, when purchased  
 in books of 25;  
 Tokens or Tickets—7 1/7c each when pur-  
 chased in quantities of 14 for \$1.00;  
 Tokens or Tickets—8 1/3c each when pur-  
 chased in quantities of 3 for 25 cents;  
 Single Cash Fare—10 cents.

This fare would remain in effect until January 1, 1933, or about six weeks after the franchise would become effective, if adopted. After that the rate of fare would be changed automatically to meet the operating expenses, reserve

for renewals and the stipulated return. The fare which would produce the highest revenue would be permitted until these requirements were met.

It is reasonable to assume that service would be considerably curtailed and that fares would be increased to produce the greatest possible revenue should this franchise be placed in operation. At any rate, the operating revenue of the company during any one of the past three years would fall several hundred thousand dollars short of meeting the requirements of the proposed franchise. But an increase of fare would become practically mandatory and the city would be helpless to prevent reductions in service when the inevitable deficit would make its appearance during the first months of operation under the proposed franchise. It is no secret that the officials of the company would abandon various unprofitable lines immediately.

The company has already made large reductions in operating expenses by converting practically its entire system from two-man to one-man operation during the past year. Despite these savings, the operating revenues for the past six months have been only \$119,-358. Had the proposed franchise been in operation during this period, the balancing fund would have had to absorb a deficit of \$181, 937.32. It is important to bear in mind that a higher rate of fare than that provided by the franchise has been in effect.

It would appear that the only guarantees made by this franchise are guarantees to the traction company. The franchise appears to be designed to rehabilitate the company, but not to rehabilitate mass transportation in Portland. It may safely be prophesied that it would result in a reduction of services, an increase in taxes, and would give the company a better opportunity to operate at a profit.

# League Forges Ahead Despite Depression

PRESIDENT's report lists important advances in coöperation with other groups.

BY MURRAY SEASONGOOD

*President, N. M. L.*

MY FIRST word must be one of thanks to our secretary, Dr. Forbes, director of publicity, Mr. Jones, editor of the NATIONAL MUNICIPAL REVIEW, Dr. Dodds, other members of the staff and our officers and council. We have experienced the common shortage of funds prevailing everywhere and in practically all institutions and have perfected economies which, with the self-sacrificing attitude of Messrs. Forbes, Jones, Dodds and other members of the staff, have enabled us to continue our work. I cannot speak too highly of all of them and it has been a real pleasure to work with so resourceful, alert and high-minded group. I feel that we ought to get more financial support, directly and indirectly, from our officers and council. I am sure that a little extra effort on the part of all would, even in these difficult times, bring in additional memberships and sizeable contributions.

Upon assuming the duties of the presidency ten months ago, I recommended that the program of the National Municipal League should place a greater emphasis than in previous years upon various phases of civic education. I further recommended that the National Municipal League should coöperate and work with all other organizations interested in our general field in order to bring about a closer coördination of effort. We have made substantial prog-

ress along both of these lines during the current year.

#### RADIO BROADCASTS SPONSORED

The Committee on Civic Education by Radio of the American Political Science Association sponsored several months ago a series of broadcasts over the NBC network intended to promote the interests of civic education, especially among high school and college students. It has been a pleasure to represent the National Municipal League on this committee. The committee is now sponsoring two series of national broadcasts which will give further impetus to this worth while movement. The first series now under way discusses various aspects of "Government in a Depression"; the second series beginning on November 15 will be devoted to various phases of "Constructive Economy in State and Local Governments" and will give wide publicity to the report of the National Municipal League committee on this same subject.

While on a visit to New York in February, 1932, Dr. Forbes and I held conference with the executives of the Boy Scouts of America, the Girl Scouts, and the Campfire Girls and in each case strongly urged that the requirements for merit badges in civics and the explanatory discussion of "Citizenship" in their handbooks should put more emphasis on the importance of local government and direct the attention of the youth to ways

and means for improving existing conditions. Each organization was exceedingly interested and willing to coöperate. The Girl Scouts are already in process of revising their badge requirements and descriptive literature along the lines of our suggestions and it is expected that the other organizations will take similar action during the coming year. It is unnecessary to point out the potential influence for better citizenship and a more intelligent voting public which is involved in constructive work of this character.

#### OTHER COÖPERATIVE MOVES

Shortly after I became president of the National Municipal League, we perfected plans for a merger with the Proportional Representation League. This merger became effective on May 1, when the Proportional Representation League moved its headquarters from Philadelphia and joined forces with our secretariat in New York. As a result of this merger, we have brought together on our staff a very capable group of workers. It is expected that the merger will benefit both organizations.

We have also expressed a willingness to consider a similar combination of forces with the National Civil Service Reform League, but no action has as yet been taken.

In June, 1933, we are planning to coöperate with the American Political Science Association and other groups in sponsoring a Conference on Government in Chicago in connection with the World's Fair.

To improve the teaching of municipal government in colleges and universities throughout the country, we have sug-

gested to the American Political Science Association the preparation of a teachers' handbook which would direct the instructor to the best sources of teaching material and helpful information. The Association has agreed to undertake the preparation of a teachers' handbook and has made the counter suggestion that the handbook, when ready, be published and distributed by the National Municipal League.

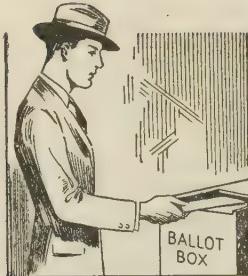
The usual meetings of our council were held in New York and in Chicago. These were well attended and elicited extended and helpful discussion of the affairs of the League.

#### CONTRIBUTIONS TO LEAGUE TAX EXEMPT

On one of my trips to Washington, I took up with the Department of Internal Revenue an application to have contributions to the National Municipal League allowed as a permissible deduction for educational purposes in figuring the income tax. A favorable ruling in this matter has recently been handed down, and should be helpful in obtaining financial support for our work.

Representing our League, I have made addresses in a number of places and find everywhere a keener interest in local government and a realization of its importance.

I very much hope that during the coming year we shall be able to have a meeting of the officials of all the organizations interested in the improvement of state and local government with a view to bringing about a greater coördination of work and the elimination of overlapping and duplication of activity which now exists and which is wasteful and extravagant.



# PROPORTIONAL REPRESENTATION

EDITED BY GEORGE H. HALLETT, JR.

## Continuing the Proportional Representation Review PROPORTIONAL REPRESENTATION IN A SMALL CITY

BY CYRUS J. FITTON

Part of an address before the annual meeting of the Proportional Representation League, Washington, D. C., September 21, 1932. In many ways Hamilton illustrates quite as well as its better known neighbor, Cincinnati, the possibilities of P. R.-city manager government when backed by intelligent citizen activity. Mr. Fitton has taken a leading part in the developments which he describes.—ED. NOTE.

In 1926, in the city of Hamilton, Ohio, fifteen people who had been elected as a charter commission completed their work and the new charter was adopted by the voters in November of that year. Professor A. R. Hatton was largely responsible for this document but the members of the commission do deserve credit for their courage in insisting that P. R. be included in the charter even though they were warned that this radical provision might cause the voters to reject the whole instrument.

### A CHARTER COMMISSION FOLLOWS THROUGH

The commissioners, realizing that their child could not learn to walk without help and that the responsibility rested on them to guide these first steps and to protect the child from attacks which were sure to come, reorganized as a permanent campaign committee. At each municipal election since the adoption of the charter the commissioners have authorized a small committee, composed partly of their own group and partly of other public-spirited citizens interested in securing the best possible results from the new non-political form of city government, to persuade properly qual-

ified citizens to present themselves as candidates for council and in general to conduct the campaign. This campaign committee every two years receives full authority from the charter commission to select candidates, circulate the nominating petitions, collect and spend the money required for the necessary expenses of the campaign, and to publish advertisements and circulate literature signed by the charter commission and by the individual members thereof. The charter commission was chosen directly by the people, so in effect the people's representatives who drafted the charter are still guarding it and endeavoring to secure for all of the people the fullest fruits of their wisdom in adopting this new framework of their government.

These loyal friends of the charter, never exceeding a dozen in number, constitute the only political organization working for the interest of good government in Hamilton. This group, however, has received great assistance from the Women's City Club, one thousand strong, which helped to foster the original idea of the necessity for a new charter, helped to secure its adoption and has helped ever since in electing charter candidates. Both newspapers of the city have also given splendid support not only during the municipal campaigns but to the administration continuously since it took office January 1, 1928. The campaign committee has had very little difficulty in raising about \$1,000 every two years, which is all that is required to pay for all the campaign expenses. The very name "charter" has been a tremendous asset to this

committee, particularly since the reform organization in Cincinnati is called the charter group—all of the achievements of Cincinnati, which is only twenty-five miles away, being familiar to the voters of Hamilton.

How has this group functioned? During the summer preceding the municipal election it carefully considered many men as prospective candidates for council. A candidate must have intelligence, integrity, and interest in, though not necessarily knowledge of, good local government and the ability to win votes for himself and for the other six constituting the charter ticket. Quite a few persons selected as desirable candidates have refused to make the race, but in every instance this refusal was due to some valid personal reason and not to any lack of interest.

Finally seven men consent to run on a charter ticket. They are asked to subscribe to this simple platform of three planks: (1) for a city manager from out of town, a man without political ties or entangling alliances of any kind; (2) for an efficient, business-like non-political city administration; (3) for municipal ownership and non-political operation of gas, water, and electric plants. Otherwise the candidates are expressly asked not to make any pledges or any promises. They are expected, if elected, to approach every question with open minds and to use their own best judgments. They are not asked to make speeches, solicit votes, enter into controversies with other candidates, or contribute a single cent to the campaign fund. Almost exclusively through newspaper advertisements the voters are told something of the qualifications of the candidates, what the prior administration has accomplished, why these candidates are best suited to act as the representatives of all the people and why the voters in order to serve their own best interests should continue to have the city governed by officials who are unquestionably loyal and intelligently sympathetic to the new deal in local government. One of the most effective arguments advanced by the charter group has been that there is no political organization back of the charter candidates to ask for jobs or favors. There is never any mudslinging at other candidates, and in fact even when the old political organization was actively supporting a ticket of its own and opposing with all its waning power the new charter movement, the charter statements

scarcely mentioned this opposition except to warn voters that the old type of politician could not be expected to welcome the new day in politics nor to direct effectively the new political mechanism. In fact the friendship of many independent candidates has been sought and in this way many subsequent votes transferred from the ballots of these independents in the latter stages of the count have been very useful.

#### SOME SURPRISING RESULTS

What results has this unique political method produced?

At the first election in 1927, four of the charter ticket, one independent friendly to the charter group, one candidate of the old political organization, and one former member of the council running as an outright independent, were elected. This result would have been impossible without P. R. When each element among the voters was freed to vote for and elect one or more candidates that it really wanted, the second or third best candidates of the politicians were "out of luck."

In 1929 the old political organization had a considerably stronger ticket in the field and made every effort to re-capture control of the council. This organization also desired to eliminate P. R. from the charter by an amendment substituting a different and dangerous system of preferential voting, but the amendment was defeated three to one. They elected no member of council, though under P. R. only just more than one-eighth of the votes would have been sufficient to do so, and the charter group elected five members. Two independent members elected were not only favorable to the charter group but had asked to be included on its ticket.

In 1931 there was no organized political opposition to the charter ticket. The political group had given up the fight. On the other hand the independents running were of a higher type and possessed much greater vote-getting ability. Again five of the charter ticket were elected and the same two independents.

Five of the present members of council have served continuously since the inauguration of the first charter administration, three of them are "charterites," one is the independent elected as such in the first election and the other was first elected by the old political organization but, seeing the change in the attitude of the voters, has been elected in the last two elections as an independent, disclaim-

ing any connection whatever with his old organization.

The defeat of the attempt to eliminate P. R. from the charter by a three to one vote after P. R. had been used at only one election and after the new administration had been in office for only two years is a striking example of how well the new city government has sold itself to the voters and of how effectively the charter committee presented the arguments for P. R. P. R. was presented as the very heart of the charter, the basis for all of the unprecedented accomplishments of the new administration.

#### EFFECTIVE VOTING

In the first election out of a total registration of about 16,000, there were cast 10,172 effective ballots (ballots which helped elect candidates), 1,899 ineffective (valid ballots which failed to help elect), 327 invalid, and 95 blank. In the second election there were cast 9,675 effective, 1,652 ineffective, 815 invalid, and 198 blank. In the third election there were cast 9,432 effective, 1,637 ineffective, 667 invalid and 107 blank. In 1927 before the first election a comprehensive campaign was conducted to educate people in the new type of voting. This has not been done with the same vigor nor with the same scope in subsequent elections and this may explain why there were fewer invalid ballots in the first election than in the second and third.

Very few people, of course, understand the theory of P. R. or how the votes are actually counted. There is considerable public interest, however, in watching the counting of the ballots conducted in a large public auditorium and the great majority of the voters are convinced that the count is now absolutely honest and faithfully represents the real sentiment of the voters. Old time politicians are constantly spreading poison against P. R., realizing that it is the real obstacle to their come-back, and friends of P. R. probably should devote more time and effort to explaining and popularizing it; it is hoped that the schools of the city will before long explain and demonstrate our new voting system as part of the courses in civil government.

#### THE CHOICE OF A MANAGER

The first council was fortunate, after carefully considering the qualifications it sought in a city manager, to find a man embodying its

desired requirements. Mr. Russell P. Price, who has been manager since January 1, 1928, has achieved distinguished success in the administration of all the city's affairs. He is solely responsible for directing the city's large and complex business. He hires and fires all directors of departments and through them all employees of the city. Council has never interfered with him in this undertaking. He in return does not burden council with the petty details and problems daily confronting him. Council is thus left free to serve as the charter intends it should, as a legislative and policy-determining group.

Council has had many major problems before it, such problems as the average city council is not qualified to come to grips with, and would not have the time necessary for a proper consideration of even if it were qualified. In the consideration of all these problems council, almost without exception, secured facts from surveys conducted by experts, sought advice from recognized authorities in their particular fields and then, with all the material before it, proceeded through slow and painstaking study to determine what was the very best solution for the future.

#### MORE SERVICE FOR LESS MONEY

Typical examples of the many outstanding accomplishments of the administration under Mr. Price are the establishment of a city purchasing department, which has saved about \$20,000 per year, and the erection of a new fire station and the purchase of new fire-fighting equipment, which has reduced fire insurance premiums throughout the city quite substantially.

The operating expenses of the general government of the city for 1927, the last year of the old regime, was \$576,000; the average under the new regime for the years 1928 to 1931 inclusive is \$469,000, a difference of \$107,000. The general bonded debt of the city has been decreased from January 1, 1928, to December 31, 1931, in the amount of \$430,000. Investment firms about a year ago bid a slight premium for general bonds of the city bearing 4.6 per cent interest.

A municipal electric plant was completed in 1928. Its capacity has since been doubled; a new sub-station was recently completed and a new distribution system including an extensive system of underground conduits installed—all out of the earnings of the plant.

The electric rate has been reduced four times, forcing down the rates of the private electric company operating in the same territory each time. The gas rate has been substantially reduced and the leakage of gas through the municipal mains has been reduced from 33 per cent to 6 per cent.

The Burns and McDonnell Engineering Company has just completed an audit of the books of the three public utilities owned by the city—electricity, gas, and water—and an analysis of operation of these utilities from January 1, 1928, to January 1, 1932. The report of this impartial firm discloses that the clear profit from the operation of the three plants during the four-year period has been \$1,678,000. This, added to the saving in hydrant rental, free water service, reduced rates to consumers, street lighting, water pumping, traffic lights, etc., but deducting \$58,000 which would have been received as taxes from the three utilities if they had been privately owned, shows a total saving to the citizens from the three plants of \$3,487,000. The value of the three plants has increased \$841,000 in the four years due to improvements and enlargements, while the total bonded indebtedness against the plants has been decreased \$307,000.

#### THE EFFECT OF P. R.

P. R. has broken the grip of politics on Hamilton—first, by making it easy for the voters to express their real wishes without fear of wasting their votes and second, by making it possible for different elements of the city's population to elect their real leaders without the necessity of combining all of these groups, sometimes quite divergent, into a single political organization. Under P. R. men best qualified to serve as councilmen are willing to run on the charter ticket and the charter campaign committee has been wise in selecting high-grade candidates, who appeal, however, to different groups of the voters.

Perhaps the first reason for the success accomplished under the new charter has been that the operation of the city has been entirely removed from the old type of political influence. The city is now run as an efficient business to serve all of the citizens regardless of their allegiance to any political group. This condition can be preserved only by selecting the type of councilmen who have served under the new charter and we can be sure of main-

taining men of this type in council only through the means of P. R.

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**The P. R. League's Annual Meeting.**—The twelfth annual meeting of the Proportional Representation League since its incorporation was held in connection with an informal dinner at the Hotel Willard, Washington, D. C., the evening of September 21, as the final session of the National Conference on Parks, Planning, and Government. Members and friends of the League were present from seven different states and the District of Columbia, Mrs. Alice Thacher Post of Washington, a vice-president of the League since 1914, being a guest of honor.

In the absence of the president, J. Henry Scattergood, assistant commissioner of Indian Affairs and a trustee of the League, presided. The following trustees were reelected for the ensuing year: Paul H. Douglas, Augustus R. Hatton, C. G. Hoag, Rayner W. Kelsey, Albert B. Maris, J. Henry Scattergood, and Thomas Raeburn White.

The League's executive secretary, George H. Hallett, Jr., reported briefly on the developments of the past year, including the consolidation of the League's work, staff, offices, and magazine with those of the National Municipal League. He also told of his recent tour of the country for the combined organizations and mentioned California, Michigan, Pennsylvania, New York City, Kansas City, Missouri, Reno and Las Vegas, Nevada, Portland, Oregon, and Tacoma and Seattle, Washington, as places where important P. R. proposals are now being given serious consideration.

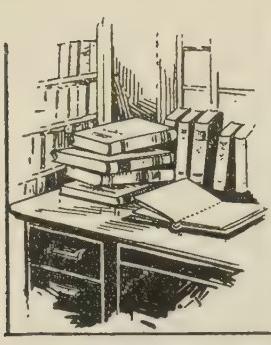
The rest of the evening was devoted to four stimulating addresses, as follows:

"P. R. in a Small City"—Cyrus J. Fitton, attorney, of Hamilton, Ohio.

"P. R. for New York City"—Maurice J. Davidson, chairman of the executive committee of the New York Committee of One Thousand.

"P. R. for a County"—Honorable Hugh Reid, member of the Virginia House of Delegates from Arlington County.

"P. R. for Presidential Elections" (the case for Congressman Clarence F. Lea's constitutional amendment to abolish personal electors and divide the electoral votes of each state among the presidential candidates in proportion to their popular votes)—Walter J. Millard, field secretary of the P. R. League and of the National Municipal League.



## RECENT BOOKS REVIEWED

**THE EFFECTS OF A PROPERTY TAX OFF-SET UNDER AN INCOME TAX.** By Herbert D. Simpson. Chicago: The Institute for Economic Research, 1932. 55 pp.

Movements for the adoption of state income taxes are frequently accompanied by a demand, particularly on the part of real estate and farmer groups, that property holders be permitted to apply their present property taxes toward offsetting any portion of the income tax that may fall upon them. The purpose of Dr. Simpson's study is to show the actual operation of such offsets, to ascertain the effect upon the total revenue yielded by the income tax, the amount of relief afforded by the offset, the distribution of this relief among various groups of taxpayers, and the final effect of all these factors upon the total tax burdens of various groups and classes of taxpayers. The findings are based upon data collected in Wisconsin for the year 1928 from 5100 individual taxpayers and 13,100 corporations.

The author's conclusions are highly significant. He finds that a general property tax offset against income taxes would have reduced the yield of the Wisconsin income tax in 1928 by 5½ per cent. The determining factor in the distribution of benefits and losses is not the amount of one's property or income, but the ratio of the one to the other. Also, the relationships and adjustments involved are all among different classes of property holders, not between property holders and other groups. As to the actual distribution of benefits, the offset benefits the recipients of the larger incomes among both individuals and corporations. Those who have both property and income, particularly the latter, derive the greatest benefit. From the standpoint of sound tax policy, the author concludes that "if income taxation itself is sound, anything

like a general property or real estate offset is necessarily unsound, because its effects are specifically to neutralize the results of income taxation." He declares with conviction that the general offset "operates not only in a capricious way, dependent upon arbitrary ratios of income and property, but introduces a positively vicious element in the redistribution of burdens which it brings about." But the same conclusion he points out does not apply to the limited offset, since it operates differently and brings about a wholly different distribution of burdens and relief from that of a general and unlimited offset. This fact, however, does not necessarily commend its adoption. The author seems willing to accept a limited offset, only if it is in the form of a specific amount of tax, and limited to a very small amount.

MARTIN L. FAUST.

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**GENERAL SALES TAXATION. Its History and Development.** By Alfred D. Buehler. New York: The Business Bourse, 1932. ix, 378 pp. \$5.00.

This is the most comprehensive and scholarly work on the general sales tax that has appeared in the English language. The author presents in it a review of the rapid spread of this tax since the World War and its present status in different countries, a discussion of the salient problems in its administration, and an extended analysis of its incidence and economic effects.

The writer maintains that although in the long run the tax is shifted to consumers, this shifting is retarded by various resisting factors and does not necessarily take place in each case. Consumers suffer, under it, from loss of purchasing power, and sellers—from reduction in sales, readjustment to new market conditions, tendencies towards integration, and

instability. Consumers with small incomes are hit harder than those with large ones. Businesses of large size, multiple processes and high profits are favored. It is the contention of the writer that the tax has been adopted, in most places, without sufficient consideration of its disadvantages, at a time when a large revenue was a primary requisite, but that these disadvantages are now being realized. Even business has lost much of its enthusiasm for the tax. The rates of the tax have been moderated and exemptions increased, as a consequence, in many places.

The book is packed with factual information, is well written and copiously documented. It is to be regretted, however, that the footnotes are presented in the appendix instead of on the respective pages. It is annoying to hunt for them. In one or two cases, for example, in the case of Soviet Russia, the information is not up to date. However, one could hardly expect the data in a book covering so many countries and necessarily dependent in some cases on secondary sources, to be up to date at every point. This is not a reference book. It is an illuminating study which throws much light on a puzzling question.

PAUL STUDENSKI.

New York University

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#### MUNICIPAL REPORTS

AUBURN, MAINE. *Annual Report, 1931.* By F. W. Ford, Jr., City Manager. 63 pp.

MILWAUKEE, WISCONSIN. *Annual Report of the Common Council, 1931.* Compiled and edited by the Municipal Reference Library. 178 pp.

WICHITA, KANSAS. *A Quarter Century of Progress, 1931.* By Bert C. Wells, City Manager. 60 pp.

If the best of each of these reports could be brought together within one cover a well-nigh perfect report would be the result. A few weak spots, however, are common to all. For example, each exceeds the desirable maximum of fifty pages, and not one saw the light of day until approximately three months after the period covered. Too little emphasis was placed on important facts except Wichita which reached a high record in this respect. The illustrative material in all three reports was well selected but a bit scarce in the Mil-

waukee report, more plentiful in Auburn's, and much better in the Wichita report.

The Auburn report is made excessively long owing to the inclusion of the outside audit which occupies more than one-half of the entire report. Unless required by law, this should be omitted in future issues. An excellent organization and financial chart are combined on one page but all but lost in the back of the report—this should have appeared in one of the first pages so as to attract immediate attention, for it is the most interesting feature of the report. A better arrangement of material and the deletion of unimportant details such as inventories, would have improved this report.

Milwaukee has for years issued a good report, and this year's is no exception. The chief criticism is the length; one hundred eighty pages of public reporting is almost indigestible even for the most rabid public report consumer. Many of the sections seem heavy, due to scarcity of illustrative material. Even the statistical tables which are grouped in an appendix in the back of the report, if distributed throughout the relevant text would have helped the readability of the report. Still, it has many striking features which stamp it as one of the best of the year. For instance, there is a chart on page 42 giving the "cost of local government compared with business trends," and the size this year has been reduced to 6 by 9.

Wichita, too, is noted for its good municipal reports, but this issue easily eclipses all former ones. It has pretty nearly everything a good public report should have. The paper, type, and entire make-up are perfect, and with a few more charts the illustrative material also would have reached this coveted goal. There are two features of this report that deserve special praise for both are neglected in practically every municipal report. One is the emphasis upon the more significant statements. The busy reader can glance through the pages very rapidly and the eye will catch such arresting phrases as: *Traffic accidents decreased 33%; congested streets are cleaned at night; a 28% increase over last year.* The other feature worthy of special praise is the table of comparative rates for offenses known to the police, per cent cleared by arrest, and per cent found guilty. This reviewer cannot understand why more report writers do not make use of the uniform classification of offenses as developed

by the Committee on Uniform Crime Records over three years ago. This Committee also published and distributed, "A Guide for Preparing Annual Police Reports," but apparently most report writers prefer to use their own

ingenuity and not to any credit to themselves in most cases. The Wichita report is easily one of the best of the year.

CLARENCE E. RIDLEY.  
The University of Chicago

## REPORTS OF PAMPHLETS RECEIVED

EDITED BY EDNA TRULL

*Municipal Administration Service*

**Centralization of Public Health Services in Los Angeles County, California.**—California Taxpayers' Association, Los Angeles, 1932. 37 pp. Although a number of the political subdivisions in Los Angeles County have contracted with the county for its services, there remain several independent, active, governmental health agencies. This report deals with the existing duplication of effort resulting from this situation and points out that if the cities of Los Angeles, Long Beach, and Pasadena would also contract with the county some \$200,000 could be saved the taxpayers annually. (Apply to California Taxpayers' Association, Inc., 775 Subway Terminal Building, Los Angeles.)

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**Parks in the Larger Cities of the United States, 1931.**—Caroline L. B. Sigrist—Municipal Reference Library, New York, 1932. 4 pp. Mrs. Sigrist, of the Portland, Oregon, Municipal Reference Library, has compiled statistics on the parks of sixty-eight large American cities. The data cover total park acreage, number of parks, miles of boulevard, percentage of tax dollar spent for recreation, cost of lighting parks, cost of park police, cost or appraised value of the parks, 1931 maintenance, park revenues, zoological parks and other subjects. The New York Municipal Reference Library is to be thanked for making available this valuable information. (Apply to Municipal Reference Library, Room, 2230 Municipal Building, New York City.)

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**Assessment Valuations and Tax List of Hoboken Real Estate.**—C. Alfred Burhorn Company, Hoboken, 1932. 116 pp. Primarily devoted to assessment maps, this volume is of interest particularly to residents and neighbors of the city. Its general value is increased by its presentation of the city's revenues and expenditures, city and school

budgets in some detail, and other financial statistics. (Apply to Alfred C. Burhorn Company, One Newark Street, Hoboken, New Jersey. Price \$10.)

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**Preliminary Report on Municipal Ownership of Electrical Utilities in Virginia.**—James E. Gates—League of Virginia Municipalities, Richmond, 1932. 14 pp. Under the direction of the bureau of public administration this study was undertaken to ascertain the operating conditions of the municipally owned electric utilities in Virginia. It is planned that the final report will give suggestions which may offset, to some degree, the disadvantages under which relatively small municipal plants are at present forced to operate. (Apply to League of Virginia Municipalities, Travelers Building, Richmond. Price 50 cents.)

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**The Valuation of Business Lots in Downtown Los Angeles.**—Cuthbert E. Reeves and the Los Angeles Bureau of Municipal Research.—Los Angeles Bureau of Municipal Research, 1932. 38 pp. The recently incorporated bureau of research chose as its first problem the finding of a sound tax base. The serious land value inflation, especially in the business district, and the resulting taxation offered a fertile field for study and Mr. Reeves was invited to assist in the survey. This report embodies the findings of the Bureau and the suggestions of Mr. Reeves for more equitably assessing the property concerned. (Apply to Bureau of Municipal Research, 306 West Third Street, Los Angeles, California. Price \$2.50.)

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**Adoption of Codes by Reference.**—American Municipal Association, Chicago, 1932. 12 pp. The high cost of publishing long and complicated technical codes, such as those for building, has created a widespread inter-

est in the adoption of such codes by reference. This study briefly discusses the procedure and describes it as practiced in the states where it is expressly authorized and in those where it has been accepted without legislative action, about seventeen in all. (Apply to American Municipal Association, Drexel Avenue and 58th Street, Chicago.)

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**The Selection and Tenure of Wisconsin City Administrative Officials.**—Lyman S. Moore. League of Wisconsin Municipalities, Madison, 1932. 20 pp. On the basis of a questionnaire sent to Wisconsin municipalities the facts as to the selection and tenure of city administrators were secured, and these are compared with the practice in European cities and the opinions of American authorities. In conclusion, the author proposes means to establish desirable standards in Wisconsin. (Apply to League of Wisconsin Municipalities, 114 North Carroll Street, Madison. Price 25 cents.)

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**Paying for our Highways.**—W. S. Downs.—Bureau for Government Research, West Virginia University, Morgantown, 1932. 9 pp. Considering highways as publicly owned utilities the use of which is paid for by direct taxation, special assessment, fees such as automobile licenses or a fuel tax, Professor Downs sets forth eight principles to guide further development in West Virginia. (Apply to Bureau for Government Research, West Virginia University, Morgantown.)

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**The Administration of the Gasoline Tax in the United States.**—F. G. Crawford.—Municipal Administration Service, 1932. 73 pp. For this third edition of his gasoline tax study Dr. Crawford has not only revised and brought to date the material on history, receipts, administration and constitutionality of the tax, but he has notably enlarged it with new material and comment on the distribution of the receipts, refunds and exemptions, evasion and the cities and the gasoline tax. The gasoline tax offers not only a fertile source of revenue but a field for serious abuse. The study is therefore of interest and value to all motorists as well as to legislators, students and the commercially interested groups. (Apply to Municipal Administration Service, 309 East 34th Street, New York City. Price 50 cents.)

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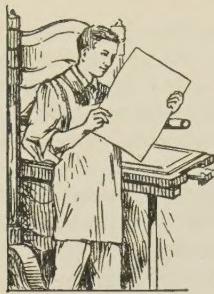
**What's the Use of Working.**—Robert B. Brinsmade.—San Luis Potosi City, Mexico, 1932. 18 pp. The author, after thirty-five years' study of conditions in three continents, concludes that the solution to our economic and political ills lies in the adoption of proportional representation and Georgism. The former would give us able, representative legislators, the latter, the abolition of all taxation through the substitution of ground rent socialized for public use. This pamphlet explains the reasoning by which Mr. Brinsmade has reached these conclusions. (Apply to Robert Bruce Brinsmade, Avenue Centenario 219, San Luis Potosi City, Mexico. Price 10 cents.)

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**Emergency Work Relief.**—Joanna C. Colcord, William C. Koplovitz, Russell H. Kurtz.—Russell Sage Foundation, New York, 1932. 286 pp. The bulk of the volume is used to describe the experience of twenty-six American cities with the work relief projects undertaken in the winter of 1930-31. Communities of varied size and location are drawn on. In addition there is a brief history of the work relief idea and suggestions for setting up a program to avoid as many of the pitfalls as possible. Selected forms used are given in an appendix. Careful study of this volume may serve to avert some of the difficulties already encountered by many communities and should be of marked assistance to those responsible for administering work relief through this coming year. (Apply to Russell Sage Foundation, 130 East 22nd Street, New York City. Price \$1.50.)

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**The Municipal Index, 1932.**—New York, 1932. 601 pp. The ninth annual edition of this well-known yearbook is as indispensable as ever to those interested in municipal government. Sections included treat government and administration, planning, law, finance, road construction and maintenance, street cleaning and snow removal, traffic, water supply, electric lighting and power, sewage disposal, waste collection and disposal, fire and police departments, parks, playgrounds and swimming pools, airports and aviation, and lists of consultants and municipal officers. (Apply to American City Magazine Corporation, 470 Fourth Avenue, New York City. Price \$5.00.)



## NOTES AND EVENTS

**New Charter Proposed for Nassau County, N. Y.**—The charter proposing a new form of government for Nassau County, prepared by the Democratic Law Committee of the county, radically changes the present structure. The three townships and one hundred fifteen of the one hundred eighty-five special districts now existing are abolished. Seventy-one elective town officials and over twelve hundred commissioners of the special districts are eliminated. A strong central county government is provided, equipped with elastic powers, adequate for present and future, able to protect the county from being overrun and swallowed up by the city of New York and having most of the rights of a city under the City Home Rule Law of New York State.

The charter seeks to end duplication of service, overlapping of activities, lack of centered authority and executive responsibility, which are characteristic of the present form of government. The people are assured—what they have never had before—a government directly responsible to them. There is a complete separation of the functions of government in accordance with the underlying principles of American governmental systems. No more will supervisors discharge legislative and executive functions and justices of the peace exercise judicial, executive and legislative functions.

The executive is the county president, elected for four years. Under him are eleven departments: finance, taxation, public works, welfare, health, law, police, planning and zoning, purchase, education and fire prevention. Except for the comptroller, who remains an elective official, the president appoints the heads of departments who hold office at his will. He is chargeable for the failure of a department to function effectively and in corruptibly.

The legislative branch is a board of seven

representatives elected for two years from separate districts. This board has the power to enact local ordinances and must authorize all public expenditures. An executive budget system is provided.

The justices' courts and village police courts are replaced by four district courts having civil jurisdiction in cases involving not more than \$1000. The judges are required to be lawyers.

The charter which will probably be presented to the legislature this winter, is simply phrased and should be readily comprehended by the average citizen. Before it becomes effective, it must be passed by the legislature, approved by the governor, and then submitted to the voters of the county at a referendum in an odd numbered year. As far back as 1921, the people of Nassau County recognized that they had outgrown their rural form of government. In that year by a large majority they adopted an amendment to the state constitution specially authorizing a change for Nassau in its form of government. In 1929 the people, by a vote of nearly 4 to 1, reaffirmed that conviction. They amended that amendment so that the new form of government, once adopted, cannot be changed by the state legislature without the consent of the county.

The 1930 federal census report shows that between 1920 and 1930 the percentage of increase of population in the county was greater than in any other county in the United States. This county, fourth in population of the state (exclusive of the counties in the city of New York) is functioning under antiquated methods of government of the kind used when the population, now approaching 400,000 was less than 10,000. Continuance of this ill-suited framework is expensive and stunts growth.

FERDINAND I. HABER.

**Permanent Registration Saves Money for Detroit.**—Detroit reports, following the Michigan primary of September 13, confirm forecasts as to benefits anticipated three years ago when Michigan's new system of permanent registration was made effective by action of the state legislature. Amid many difficulties of political and financial kinds, the registration reformers, with vast patience, finally got the law enacted with approval of the governor.

In Detroit the last hurdle against the system was set up by city hall politicians who objected to the initial cost of establishing the system with proper card indexes and other equipment. After months of further patient pressure, assisted by opinions from state and local attorneys, the Detroit City Council reluctantly allowed the new system to go into operation—the opposition consisted of an obstreperous minority whose tactics were well understood.

City Clerk Reading, who is also chairman of the Detroit Election Commission, now reports that the cost of registering each voter under the new system, not including the cost of the new permanent equipment, was 19.7 cents as compared with 38.9 cents per voter under the old system. The cost, including equipment, was  $27\frac{1}{4}$  cents as compared with  $39\frac{1}{2}$  cents under the old system. Financial savings under the new system have completely paid for the equipment in one registration, according to Mr. Reading.

As explained before the legislature, Michigan's permanent registration plan, by requiring a signature from every voter, puts a big stumbling block in the way of registration frauds. The second claim, that of economy, has been proved true even in the city of Detroit, whose registration total is 489,041. The third virtue assigned is that it also saves the time of the voter by requiring only one registration in a lifetime. Transfers after removal and other operations are handled chiefly by mail.

As reported in the October REVIEW by Raymond C. Atkinson, the per capita cost of elections in Detroit is 81 cents as compared with \$1.09 in Cleveland, \$1.22 in Cincinnati, \$1.32 in Columbus and \$1.42 in Toledo. Detroit still boasts that it has the most accurate and efficient election system of any major city in America.

Oakley E. Distin, Detroit election supervisor, differs with Mr. Atkinson as to the relative

cost of conducting primaries and general elections. He holds that although fewer votes are cast at primaries, the number of candidates is far greater than at elections, hence the primary count involves more labor and longer hours than that after a general election.

Detroit's new key-number system of selecting jurors is based upon the new registrations; every twentieth name in the registration is picked off before the sifting process results in selection of a panel by the local jury commission.

W. P. LOVETT.

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**Savings Through Centralized Purchasing for the State of Maine.**—On January 1 of this year, centralized purchasing became effective for the state of Maine with the establishment of a bureau of purchases in the newly-created department of finance. The new purchasing agency in the first eight months of its operation has already made a very favorable showing. Making due allowance for the fall in commodity prices during the current year, the economy record of the state purchasing agency reflects in part at least the potential economies of bulk buying. For example, a saving of \$12,000 has already been made in the purchase of coal for the various state institutions and other using agencies. The saving of this amount is based on price reduction for the same tonnage as was bought under separate contracts by the individual using branches during 1931. When centralized purchasing became effective the state was buying and using more than sixty different types of shoes in its various institutions. The state's purchases of shoes have now been reduced to twelve different types and the saving in the first eight months is more than \$7,000. By buying gasoline for all the state requirements the price has been reduced 3.6 cents per gallon. More than \$2600 was saved in the purchase of fertilizer for the various state farms through pooling their requirements and through increased competition.

The establishment of the purchasing bureau has brought to light as never before the wide diversity in prices formerly paid by different branches of the state government. Some institutions were paying as high as 58 cents per pound for tea; the highest price being paid is now 45 cents per pound.

In addition to the savings through more widespread competition, the purchasing bureau

is making every effort to insure that the state receives the quality specified in the order or contract. In purchasing of foodstuffs, for example, samples must accompany bid. These samples are tested by the University of Maine or the laboratory at the state department of health. Samples taken of deliveries are then analyzed and compared with the laboratory report of the sample upon which the order or contract was awarded.

According to the most authoritative reports, the state purchasing bureau has succeeded well in ironing out the opposition from the state institutions and has gotten off to a flying start.

RUSSELL FORBES.

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**Spurious Municipal Bonds.**—The investor in municipal bonds finds that there are many securities today which are in default because spurious or counterfeits of bona fide municipal bonds, notes, warrants, assessments against district improvements, and more recently refunding issues and tax anticipation notes. These counterfeits of the real municipal security are printed on expensive bond paper and present the engraver's art at its best. The large type headings announce that this security is "A-1"; that is, a full faith and credit obligation and a negotiable instrument in the hands of the investor. The smallest type, frequently requiring a magnifying glass to read it, invariably qualifies the prominent type headings.

The so-called "incontestable clause" in small type is usually to the effect that "all things necessary to be done by the city, have been done" and that for the faithful performance of its contract the full faith and credit of the municipal corporation is pledged. When the municipal corporation pledges its credit illegally and an investor purchases this form of paper, does the incontestable clause protect him if suit is brought to enforce payment? Unfortunately, if the security was invalid when issued, the holder lacks the usual legal remedies which are available in litigation against a public utility or private corporation. The municipal corporation has only limited powers to incur indebtedness. (No. 1—Guggenheim v. City of Marion, Ky. 46 S. W. [2] 478

decided Feb. 9, 1932; also Porter v. City of Weslaco, Tex. 56 Fed. [2] 6 decided 1932.)

These spurious or counterfeited securities find the money of the investor and frequently the investor received interest payments for some time before the invalid character of the security is determined.

The present need for refunding outstanding municipal securities has led to the sale of many refunding issues which are no more valid than the issue which they replace. The writing of the "incontestable clause" into these invalid refunding securities does not prevent the city from avoiding payment. Taxpayers are ready to take advantage of these defects and the courts will uphold the defense of no liability for payment of an invalid obligation sold by the municipal corporation.

The quality inherent in valid municipal securities is recognized in the present bond market where prime municipal paper commands a high price, while municipal securities which are not considered enforceable have no purchasers. The investor has learned that the label "municipal-tax exempt-bonds" does not always mean that payment will be made at maturity. The need is very great for responsible underwriting of valid municipal securities which are negotiable in law as well as in form.

HORACE H. SEARS.

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**New League of Municipalities.**—Plans have been formulated for the organization of a League of Massachusetts Municipalities as the result of a meeting of a committee of Massachusetts mayors in Cambridge, September 14.

Those present were Mayor Richard M. Russell, *chairman*, of Cambridge, Mayor Joseph N. Carriere of Fitchburg, Mayor James A. Torrey of Beverly, Mayor Charles S. Ashley of New Bedford, Mayor J. Fred Manning of Lynn, Mayor Michael C. Mahoney of Worcester, Mayor George J. Bates of Salem, and Glen Leet of the American Municipal Association.

In Vermont a similar organization to promote sound municipal government is contemplated and a committee of municipal officials headed by Mayor J. B. Wood of St. Albans is now working on the project.